FINANCIAL TIMES

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West German unions line up against Kohl, Page 2

World news

Basque bombings fail to hit tourism

A bomb exploded in a luxury hotel at Estepona on Spain's Costa del Sol, apparently the third in a fresh campaign by Basque guerrillas to frighten off tourists. No one was injured.

There have been no injuries since ETA announced its sixth annual bombing campaign last week. Officials said the bombings had so far failed to dent the flourishing tourist industry.

Meanwhile, the Spanish Supreme Court upheld the right of Herri Batasuna, considered to be the political wing of ETA, to be registered as a legal party.

Dispute escalates

Norwegian municipal workers escalated a 12-day-old industrial dispute by doubling to 40,000 those called out on strike for higher wages.

Arms seized

Ugandan troops and police have seized an unspecified number of illegal arms since a dawn-to-dusk curfew was imposed on Kampala on Sunday night.

Aquino commission

President Corazon Aquino convened a commission to draft a constitution that will determine the kind of government the Philippines will have. She said she expected the 50-member group to present a new charter in 90 days for approval in a plebiscite. Page 4

Gromyko warning

Soviet President Andrei Gromyko told British parliamentarians visiting Moscow that a US threat to break the 1972 Salt-2 arms treaty was a "high-explosive charge" and a major political blunder.

Syria mediates

Syria stepped up pressure for peace at Beirut's embattled Palestinian camps, convening talks between its main militia allies on ways of ending fighting that rumbled into a 12th day. Page 4

Training Syrians

Syrian pilots have gone to the Soviet Union for training on advanced MiG-29 fighter aircraft. Page 4

Bonner returns

Yelena Bonner, wife of banished physicist Andrei Sakharov, returned from six months abroad to her Moscow home escorted by two US congressmen and American diplomats. "If I didn't have a husband here, I wouldn't have come back," she told reporters.

Lange optimistic

New Zealand Prime Minister David Lange said he was optimistic there would soon be talks aimed at healing the deep rift in relations between his country and France.

US telephone strike

More than 100,000 US telephone workers went on strike against AT&T after talks over wages and conditions had broken down. There was little noticeable effect on services, but delays were predicted in getting operator assistance for international calls. Page 6

Death sentences

Iraq said it had sentenced 10 Egyptians to death for forging official documents used in a currency smuggling ring.

EEC increases aid

European Commission is to give countries in Latin America and Asia unusually large amounts of development aid totalling $53m.

Opec target

Oil ministers from six Opec countries who met in Saudi Arabia a week ago have agreed on $17-$19 a barrel as a range which would stabilise the oil market, the Middle East Economic Survey said.

Business summary

Cadbury acquires Nabisco offshoot

CADBURY SCHWEPPES, UK-based soft drinks and confectionery group, is acquiring the North American based Canada Dry and Sunkist soft drink businesses owned by RJR Nabisco for $230m. Page 22

TOKYO: Prices rallied sharply, and the Nikkei stock average surged to a record 16,739.27, up 110.18. Page 46

WALL STREET: At 2pm the Dow Jones industrial average was 2.51 lower at 1,874.19. Page 46

LONDON: Equities and gilts were revived by hopes of cheaper money in a dull market. The FT Ordinary share index ended 4.8 lower at 1,316.4 while the FT-SE 100 shed 12.5 to 1,596.5. Page 46

DOLLAR fell in London to DM 2.3230 (DM 2.3250); FFr 7.40 (FFr 7.4075); SFr 1.9280 (SFr 1.9320), but rose to Y174.9 (Y174.5). On Bank of England figures the dollar's index rose to 119.1 from 118.7. Page 39

STERLING gained in London to close at $1.4740. It also rose to Y257.75 (Y257.0), but fell to SFr 2.8425 (SFr 2.8450). It was unchanged at DM 3.4250 and FFr 10.9075. The pound's exchange rate index rose 0.3 to 76.3. Page 39

GOLD fell $1.50 to $342 on the London bullion market. It also fell in Zurich to $342 from $343.60. Page 38

JOHNSON Matthey and Johannesburg Consolidated Investment may switch refining of platinum from Royston, near London, to South Africa. Page 38

VOEST ALPINE, Austria's state-owned steel, engineering electronics and trading group, expects to make losses of Sch 4bn ($250m) this year but return to profit by 1989.

KUWAITI Finance Minister Jassem Al-Khorafi has issued an ordinance allowing trading of shares of non-Kuwaiti companies on the country's stock market, subject to certain conditions.

HOLDERBANK, Swiss-based international cement concern, expects profits of its holding company to improve further this year following positive 1985 results in most of its operations. Page 24

CREDIT Agricole, French farmers' co-operative bank earmarked for reorganisation by the Government, lifted group net profits 6.4 per cent to FFr 1.31bn ($180m). Page 23

WAH KWONG Shipping, ailing Hong Kong shipping group, has entered its fourth day without income while financial advisers press its 46 leading creditors to agree to a second 90-day moratorium on interest payments to allow time to arrange a rescue. Page 27

JAPAN'S nine power companies have reported a combined 41 per cent increase in pre-tax profits to a record Y1,190.4bn ($7bn) following the yen's appreciation and lower crude oil prices. Page 27

EASTERN AIRLINES announced that Frank Borman was resigning as chairman and chief executive officer and would leave the company this summer. Page 23

ANGLO AMERICAN Corporation of South Africa, major mining and financial group, reports record earnings, after extraordinary items, of R1.11bn ($300m) for the year to March 31, reflecting the weakness of the country's currency. Page 23

NIMSLO International, 3-D camera maker based in Bermuda, reduced pre-tax losses from $2.87m in 1984-85 to $2.49m last year. Page 32

CATHAY Pacific of Hong Kong plans to announce tomorrow the purchase of two of Boeing's prototype ultra-long-range aircraft, the 747-400. Page 6

BANK OF CHINA introduced the country's first plastic money with the Great Wall card, available to foreigners and overseas Chinese on tough conditions. Page 4

OECD is playing down suggestions that it is forming a scheme to police international tax evasion. Switzerland is the proposal's main opponent. Page 2

Oslo gas contract could provide 15% of Europe's needs

BY MAX WILKINSON IN LONDON AND FAY GJESTER IN OSLO

NORWAY has agreed to export natural gas worth about $80bn to the rest of Europe over a 27-year period.

The Norwegians are hoping the deal will lead to further contracts for perhaps twice this amount of gas over the period from 1993 to 2020.

The contract will enable Statoil, the Norwegian state oil company, and its partners to develop the vast reserves in the Troll field, in deep water about 50 miles north west of Bergen.

The decision is of major strategic importance for the future of Europe's energy supplies. The International Energy Agency in Paris said in a report last week that the 1,200 to 1,300bn cubic metres in the Troll field could provide up to 15 per cent of Western Europe's needs for four decades.

The contract, agreed with a consortium of major buyers from West Germany, France, the Netherlands and Belgium for the purchase of 450bn cubic metres of gas is the largest ever agreed in Europe.

It is the culmination of 18 months of talks in which the Norwegians have been trying to obtain guarantees of a large enough sale to justify the high capital costs of development in difficult waters up to 340m deep. This will require substantial improvements in present gas technology and will make the gas more expensive than any yet produced in large quantities from the North Sea.

Companies in the European buying consortium are Ruhrgas, BEB and Thyssengas (West Germany), Gasunie (the Netherlands), Distrigaz (Belgium) and Gaz de France.

Recently Elf Aquitaine of France has been secretly bargaining with Statoil to buy gas from the Sleipner field – 4bn cubic metres per year starting in the early 1990s. These talks became known only last week.

The gas which Elf had hoped to buy will now be taken by Gaz de France, a member of the buying consortium, in addition to the amount the French company had intended to take for itself. Gaz de France has a monopoly of gas imports into France.

Statoil confirmed yesterday that the negotiations with Elf had helped to boost the contract's total volume.

The contract also gives the continental buyers access to the 200bn cubic metres of gas in the Sleipner field, in shallower water midway between Aberdeen and Stavanger and other fields. Sleipner gas had been earmarked for British Gas under a contract worth around $30bn. However the deal was vetoed last year by the British Government, which wanted more emphasis to be put on developing the UK continental shelf.

Some analysts have estimated that the cost of producing gas from Troll could be almost twice as high as that from Sleipner. The price which will be paid by the European consortium is not known in detail because it is linked to the price of oil products by a complicated formula and will therefore fluctuate considerably.

The deal appears, however, to be based on an assumption that crude oil prices will be significantly higher than at present.

The contract is apparently based on the view that the gas price will be in the range of $3.50 to $3.70 per million BTU, in present-day terms, which puts a value of roughly $80bn on the contract.

The project will require a major new North Sea pipeline and com-

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UN Africa plan fails to win new aid pledges

BY MICHAEL HOLMAN, AFRICA EDITOR, IN LONDON

THE OUTCOME of a special United Nations session on Africa's economic crisis met a mixed response yesterday, with leading development agencies criticising the absence of fresh aid commitments from the West.

Although the UN General Assembly endorsed a $128bn five-year recovery plan drawn up by African states, none of the major donor governments indicated a willingness to contribute to the $46bn in external financing evisaged by the plan, which emphasises the rehabilitation of agriculture on the continent and calls for measures to ease the burden of external debt.

In London yesterday, Mr Timothy Raison, the UK Minister for Overseas Development, described the African document as "a remarkable commitment to policy reforms," particularly in the field of agriculture.

Although "every effort" would be made by the international community to channel additional resources to Africa, he stopped short of committing Britain to an increase in its overall aid programme. A "high concentration" of overseas aid would be directed to Africa in coming years, he said.

Mr Stuart Holland, Britain's opposition Labour Party spokesman on overseas aid, accused the Government of operating double standards, and called for money to match the Sport Aid donations.

The UK Government's stance was also criticised by a spokesman for the World Development Movement; Britain's main pressure group on Third World issues.

Mr Michael Palmer said: "Africa's contribution of important policy changes and the millions raised by the British public through Sport Aid had not been matched by a fresh commitment except in words to the key issues of debt relief and increased resources.

"We will be looking for moves to lower interest rates and reschedule debts at the International Monetary Fund and World Bank meetings in September, and the allocation of increased resources for overseas development in the next UK public expenditure round," Mr Palmer said. Otherwise he warned, many of the African reforms would fail.

Aid agencies and Western governments have nevertheless unanimously welcomed the recovery plan itself, a remarkably frank appraisal of past mistakes in economic policies which places strong emphasis on rehabilitating agriculture.

Of the total financing cost of $128bn, 47 per cent is earmarked for agriculture, and 45 per cent for sectors which support farmers. The chief aim is to achieve higher levels of food production and profitability.

The UN document speaks of establishing "remunerative pricing policies, strengthening incentive schemes, providing effective credit schemes and placing at the disposal of small farmers the necessary inputs for increased yields."

"Primary focus will be on women farmers," said the document, who produce most of the African continent's food. Support must also be given to agro-related industries for the production of agricultural tools, small-scale irrigation and agriculture inputs, and the development of local capacity for project design and preparation. Improved transport and communications were also critical.

Although donors stopped short of making binding commitments to provide new funds for the programme, many expressed their intention to step up the proportion of existing aid going to African agriculture.

The UN plans to hold a special one-day session in 1988 to review progress on implementation of the recovery programme.

Japanese to vote on July 6

BY CARLA RAPOPORT IN TOKYO

JAPAN is to go to the polls on July 6, in a double election of both houses of the Diet (Parliament). The elections to the lower house will take place 18 months early, being held in tandem with the scheduled elections for the less powerful upper house.

The Cabinet of Prime Minister Yasuhiro Nakasone approved the dissolution of the lower house in a brief 15-minute session yesterday. After an extraordinary session of the legislature most of the Diet members headed back to their constituencies to prepare their campaigns.

Political analysts see the election as an attempt to recapture a working majority for the ruling Liberal Democratic Party (LDP) and boost Mr Nakasone's chances of retaining power.

A convincing victory for the LDP could increase Mr Nakasone's chances of retaining his post when his two-year term as party leader expires on October 30. Re-election as party leader for a third term, which carries with it the title of Prime Minister, is not allowed unless party rules are revised.

The LDP, with the help of the minority group, the New Liberal Club, holds a bare majority of the 511 seats in the lower house. The LDP holds 250 seats and the New Liberals eight. In the 252-member upper house the LDP holds 138 seats.

The Prime Minister's foes within the LDP had originally opposed the twin election for fear it would position him to extend his power, but they agreed to support the move for the sake of party unity.

Meanwhile, ruling party leaders yesterday put forward plans for a Y1 trillion ($5.5bn) public spending programme as part of a supplementary budget which the Government is expected to enact this autumn. The LDP members said yesterday that they would work out the framework of the proposed supplementary budget after the elections.

Opposition parties say the budget plans are more a vote-winning tactic than a serious attempt to stimulate the domestic economy. The LDP originally proposed a Y3 trillion supplementary budget, but this was deemed too large to be carried out in the second half of the current fiscal year.

Mr Nakasone has said he wants to ensure sufficient support within parliament to carry out his major policies of reforming the deficit-ridden Japanese National Railways Corporation and the country's education and taxation systems.

Australia to face emergency austerity measures

By Emilia Tagaza in Canberra

THE Australian Government is next week expected to unveil an emergency package of austerity measures to check the country's growing trade deficit and counter the recent slowdown in economic growth.

Among the changes expected are a delay in implementing productivity payments, putting off the promised A$2bn (US$1.4bn) of tax cuts due in September and sharp cuts in Government spending, along with measures to stimulate business activity.

Mr Bob Hawke, the Prime Minister, foreshadowed the package yesterday when he announced at a press conference that consultations were planned during this week with business, trade unions and state governments ahead of his address next week to announce policy changes covering wages, taxes, private investment and public spending.

Referring to the changes, which are widely expected to lead to a drop in the country's living standards, Mr Hawke said the slowdown in the economy required the Government to move fairly quickly in modifying policies. "What many Australians don't understand is that we do face a new economic situation. But the Government will accelerate decision-making to refine our strategies," he said.

Statistics released last week showed that Australia's overall growth had slowed to an annual rate of 4 per cent during the 12 months ending March this year. This compares with a rate of 5 per cent during the year to the end of December last.

In his address, the Prime Minister is expected to call for further wage restraint to boost the country's competitiveness. Under the incomes accord between Mr Hawke's Government and the trade unions, wages are indexed to keep pace with rises in the rate of inflation.

Last August, the indexation formula was modified to take account of the depreciation of the country's currency. During the current round of talks, the Government is expected to seek a further modification in the light of the country's deteriorating balance of payments which was in deficit to the tune of A$12bn for the last 10 months.

Reuter adds: The Confederation of Australian Industry (CAI) and the Australian Council of Trade Unions (ACTU) have taken opposing hardline positions since the cabinet meeting was called, amid growing alarm over the state of the economy.

Chrysler will sell 12.5% Peugeot stake

BY ALEXANDER NICOLL IN LONDON AND PAUL TAYLOR IN NEW YORK

CHRYSLER, the third-largest US car maker, is selling its 12.5 per cent holding in Peugeot, the French group, which yesterday reported that it had returned to profit in 1985 after five years of losses.

The sale of shares and warrants, to be made through an international placing, is expected to raise about FFr 2bn ($270m) and will help fund Chrysler's ambitious capital spending programme as well as diversification and repurchases of its own shares.

Chrysler's holding dates back to 1978 when Peugeot took over the European operations of the then-ailing US company. Chrysler had one representative on Peugeot's board until last week but has treated its stake as a portfolio investment.

Mr Lee Iacocca, Chrysler's chairman, said the sale was "a strategic decision based upon our investment priorities. We are making huge investments in building cars and trucks in North America, while continuing to expand our financial services." Last week, Chrysler signed a deal which could lift its 3.5 per cent stake in Maserati, the Italian car maker, to over 50 per cent.

French commercial and industrial groups friendly to Peugeot have agreed to buy about a quarter of Chrysler's equity stake, mostly via warrants issued to Chrysler with a 1983 bond issue. But the bulk of the holding, consisting of 1,775,000 shares, is being distributed outside France through a syndicate led by S. G. Warburg, the UK merchant bank.

The sale marks the biggest international placing of French equities and underlines London's role as the hub of the fast-developing international equity market.

It neatly sidesteps two regulatory hurdles. Shares sold at a discount – as is common practice in the international market – must be the subject of a public offering in France, so all but a few shares are being sold outside France. In the US the fact that the shares were not recently issued means that the offering does not have to be registered with the Securities and Exchange Commission.

Warburg is leading a syndicate of 15 banks and securities houses in Switzerland, West Germany, Japan, France, Italy, Canada, Austria, Singapore and Australia – with each house restricted to selling only in its geographical area. A Warburg subsidiary is leading the sale in the US of 400,000 shares packaged into American Depositary Receipts.

The price will be set at a 5 per cent discount – the amount of the fees to managers – the Peugeot's share price when the syndication closes in about 10 days' time. The price yesterday was FFr 978, below a high of FFr 1,150 reached before the French stock market suffered a setback last week.

French car group returns to profit

BY PAUL BETTS IN PARIS

PEUGEOT, the French car group embracing the Peugeot, Citroën and Talbot marques, is planning to increase its annual production capacity in the next few years to 2m cars from a current level of 1.85m cars.

Mr Jacques Calvet, chairman of Peugeot, France's largest private group, also announced yesterday the return of the group into the black with consolidated net group profits of FFr 543m ($73m) last year after several years of heavy losses. The car group reported net losses of FFr 341m in 1984 and of FFr 2.59bn the year before.

Mr Calvet said the return to the black last year marked a fundamental chapter in the group's overall recovery efforts which would be accelerated and strengthened. He described last year's earnings as "a clear improvement," but he regarded the performance still not sufficiently strong if compared with the results of most of the group's main international competitors.

In announcing plans to increase the group's production capacity to 2m cars a year, Mr Calvet said he was seeking to give Peugeot the flexibility to react quickly to market demand. At the same time, he said the possibility of increasing capacity would be accompanied by efforts to bring down its production break-even point from 1.6m cars last year to 1.4m cars this year and 1.2m cars next year. The break-even point at Peugeot has been steadily coming down from 2.2m cars in 1980. Peugeot produced 1.63m cars and small commercial vehicles last year.

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CONTENTS

OECD defends scheme to fight tax evasion

BY PAUL BETTS IN PARIS

THE Organisation for Economic Co-operation and Development (OECD) is trying to play down and correct suggestions in the international press and by the Swiss Investors' Protection Association that it is putting together "an Orwellian scheme" of tax controls to police international tax evasion and avoidance.

The OECD is anxious to avoid a fiasco over the tax evasion policing proposals. Last year its scheme to lift banking secrecy for tax authorities was blocked, largely as a result of Swiss resistance.

Opposition to the tax evasion and avoidance proposals is again coming mainly from Switzerland as well as from Luxembourg, Austria and Portugal.

The OECD has been working jointly with the Council of Europe for the past five years on the tax evasion scheme officially known as the "convention on mutual administrative *assistance in tax matters*." The convention is due to be considered by the Council of Europe next autumn and subsequently by the OECD Council next November.

OECD sources say the convention has not been drafted in great secrecy as its critics claim and that it was not initiated by "faceless bureaucrats" but by European members of parliament.

Moreover, they say, the convention itself is extremely moderate and is unlikely to contribute much to the existing powers of individual tax authorities.

Critics of the proposals have called the convention "Interfipol," comparing it to "Interpol," the international police organisation based in Paris.

But the OECD claim that the convention offers considerable loopholes to countries by allowing them to agree to some clauses without adhering to other clauses which they find either unacceptable or difficult to apply.

The substance of the convention is also more moderate than most bilateral tax agreements because it would have been difficult to draft it if its content had been tougher.

The scheme, which is expected to be approved by most European countries as well as by the US, Canada, Japan, Australia, and New Zealand, would allow tax authorities to exchange information spontaneously and automatically. It would also enable countries to *make specific requests for* information in cases where there is a strong presumption of tax evasion.

To avoid a repeat of the fiasco on the bank secrecy scheme last year, the OECD Council plans to make no specific recommendation on the new tax evasion convention. It will instead tacitly approve the text by simply noting that the convention exists and can be signed by member-states.

This should enable nations like Switzerland to abstain while allowing other countries to sign the convention.

Danish trade deficit rises to Kr 2.9bn in April

BY HILARY BARNES IN COPENHAGEN

DENMARK'S trade deficit in April climbed to Kr 2.9bn (£243m) from Kr 1.4bn a year previously. This took the deficit for the first four months to Kr 6.5bn, compared with Kr 5.6bn last year.

"It's disastrous," said Mr Sven Auken, spokesman for the opposition Social Democratic Party.

Mr Anders Andersen, Economy Minister, said that big increases in energy taxes and other indirect taxes at the beginning of April had evidently not come in time to affect the trade figures and said it was too early to draw any conclusions from one month's figures.

Exports so far this year have risen by 0.7 per cent to Kr 57.36bn, while imports increased by 1.9 per cent to Kr 63.8bn. Exports in April were worth Kr 11.68bn (Kr 12.81bn last year) and imports Kr 17.61bn (Kr 14.21bn).

A unity of passion has been forged in opposition to the chancellor, says **Peter Bruce**

West German unions set might against 'demon Kohl'

THERE WASN'T a moist eye in the house. By rights, there should have been hundreds. Just a few days before West Germany's trade union leaders began a week-long quadrennial conference in Hamburg, they had had to admit defeat in an eight month battle, involving work disruptions by more than 1m workers, to stop the Government tightening up the country's strike laws.

However, the halls of Hamburg's unimposing conference centre rang to the sound of trade unionists joyously celebrating the discovery of a demon they can all despise at the same time — Chancellor Helmut Kohl and his Government. This unity of passion has been suspected for some time but it took the Hamburg conference, which ended at the weekend, to prove it.

Ministers in Bonn took comfort during the summer 1984 strike for a 35-hour week from the fact that only two of the 17 members of Deutsche Gewerkschaftsbund (DGB, the biggest union federation) took part in any serious way. That strike led directly to the sharpening of West German strike law. But all 17 unions *tried to stop that happening.* In the ensuing fight, even union leaders who had snubbed each other for years began to talk again. The effect, say DGB insiders, has been amazing.

Mr Norbert Blüm, Labour Minister and a member of the DGB's biggest and probably most aggressive union, I. G. Metall, discovered just how amazing at the conference opening.

It was Mr Blüm who drafted the new strike law (which makes it more difficult for strike-bound workers to tap the welfare system). Probably fearing the worst, he entered the hall walking very close to Mr Richard von Weiszacker, the popular State President.

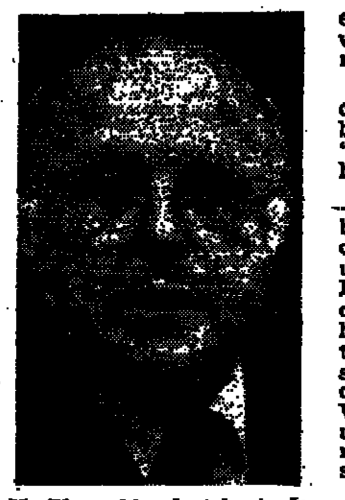
The President received a thunderous round of applause when he was officially welcomed. When Mr Blüm's name came up, it drew only hisses and whistles.

The gravity of the insult should not be underestimated. The three-way relationship between unions, government and employers in West Germany has always been held up to be the very epitome of consensus.

Mr Blüm failed to make a further, threatened appearance during the conference for it had been made abundantly clear even by the two members of the DGB executive who belong to the governing Christian Democrat (CDU) party that he was not welcome.

This, the 13th such gathering of DGB leaders, was also the first one which the sitting Chancellor was not invited to speak to. Mr Kohl declined an invitation to merely attend the opening ceremonies as a guest.

Mr Breit: attack on "neo-conservatism"



Mr Blum: hissed at by trade unionists

The union efforts to stop the Government's changes in the strike law becoming law brought it into an almost unique conflict with Bonn. Political strikes are illegal and the brief work stoppages of December, January and February were thinly disguised as "protests." They nevertheless amounted to only the third, but easily the biggest, use of labour by DGB-affiliated unions to attack a West German government, instead of, as is traditional, West German employers.

Heralding this new-found, though still possibly hesitant, politicisation, the DGB conference ended with the clear intent that the unions will actively and openly support the Social Democratic (SPD) opposition in next January's general elections here.

"*Die Wende,*" says Mr Ernst Breit, DGB president, of the "turning point" platform upon which Mr Kohl was elected in 1983 "is the work of con-men. There are social engineers at work here against whom we must set all our might.

"Sand in the gears of neo-conservatism," cried Mr Breit before cheering delegates. "That would be a title of honour for us."

If the long and very public battle against the strike law changes has helped unify the unions it has also, says Mr Franz Steinkühler, deputy chairman at I.G. Metall, helped sow among the public the notion that the right to strike is in some way a noble concept, worth defending. Virtually all DGB member unions have reported a strong rise in membership in the past six months.

If this is true, it has important implications for West German industry. Mr Steinkühler, who is likely to be elected leader of the I.G. Metall this autumn, was the architect of the 1984 strike for a 35-hour working week. Then, the unions managed to achieve only half of what they wanted by winning a 37½-hour week. Mr Steinkuhler said in an interview that his union planned to begin campaigning in earnest again for a further 2½ hour cut at the end of this year or early in 1987.

He, at least, is confident that the 35-hour cause will, now, generate far more support among DGB member unions than it did last time. And public sympathy, if it has indeed been won, may make it very much more difficult for Chancellor Kohl, in the final phase perhaps of an election campaign, to dismiss the shorter working week call as "stupid," as he did in 1984.

Already Mr Kohl is showing signs of pre-election nervousness. His party has decided not to go ahead before the elections with plans to change laws governing the election of works councils in German factories. The changes, proposed by the Free Democrats (FDP), junior partners in Mr Kohl's Bonn coalition, would make it easier for non-union labour to win places on works councils and also create a second council for white collar workers.

The FDP is furious. Its target constituents are the country's businessmen and managers who, in spite of frequent protestations to the contrary, have played a vital backroom role in pushing the present Government to take on the unions.

In the face of already truculent workers, the employers have played safe during this year's wage negotiations, however, agreeing to rises of between 3.5 per cent and, for the metal workers, 4.4 per cent —four times the inflation rate. Peace, *for the moment,* has been bought.

Commerce takes an interest in expanding world of science parks

Peter Marsh assesses the far-reaching effects of a European-wide boom in innovation centres

WESTERN EUROPE has seen an explosion of interest in science parks in the past five years as a result of efforts by public authorities to form stronger links between academic institutions and the commercial world.

Science parks are industrial estates or single buildings (often called innovation centres) linked to academic institutes. Space is normally reserved either for young, technology-based companies or for older concerns which hope to boost their expertise in advanced areas of science.

Between 1980 and 1985, the number of parks in five West European countries increased almost fivefold, from 10 to 47, while the companies and research establishments on the parks have more than doubled, from 389 to 887.

According to a series of studies from the Currie Sunman Partnership, a British economics consultancy, the growth is linked to the desire to encourage science-based businesses as older parts of manufacturing industry die off.

The chief initiators of science parks have been local or regional governments which see the developments as part of wider moves to tackle industrial regeneration. Three quarters of the funding for the parks have come from the public sector.

Currie Sunman say companies on science parks normally benefit more from contact with like-minded commercial concerns than through meeting people from the academic establishment to which the development is linked.

The biggest growth in interest is in West Germany, where 18 science parks have started in the past five years compared with none at all in 1980.

A total of DM 195m (£56.85m) has been invested in the centres, mainly from public funds. The centres, which employ up to 3,000 people, are split between prosperous service cities such as Bonn and Heidelberg, steel-based towns like Dortmund which are trying to reduce their dependence on ageing industries, rural towns seeking industrial diversification like Kassel, Hildesheim and Syke, and high-growth centres such as Stuttgart.

The single largest investment has been in Berlin, where two innovation centres have started with funds of DM 75m. The developments are linked to the Technical University of Berlin.

GROWTH OF THE SCIENCE PARK MOVEMENT IN EUROPE

	1980 Parks	1980 Establishments* on parks	1985 Parks	1985 Establishments on parks
UK	3	76	13	180
West Germany	—	—	18	249
France	3	275	8	329
Belgium	4	38	5	76
Netherlands	—	—	3	42
Total	10	389	47	887

* Establishments include companies and research institutes.

Source: Currie Sunman Partnership

France has also seen an expansion in science parks, where the number climbed from three to eight between 1980 and 1985. There are now 13 such centres, compared with three in 1980, in the UK, where about £50m has been invested in the parks.

In the Netherlands, where no science parks existed in 1980, three have been started in Leinden, Enschede and Groningen.

Belgium has five science parks, up from four in 1980, established in Leuven, Liege, Brussels, Louvain-la-Neuve and Neder-over Heembeck. The number of companies and research institutes on the estates has risen from 38 to 76.

According to the report, 887 commercial tenants occupied space on the science parks in the five countries last year, compared to 389 in 1980.

France and her Technopoles, £82; West Germany — Innovation Centres and Science Parks, £82; Science and Technology Parks in Belgium and the Netherlands, £66. Available from Currie Sunman Partnership, Cotswold, Heol-y-Parc, Pentyrch, Cardiff CF4 8ND.

EUROPEAN NEWS

Legality of EEC budget called into question

BY QUENTIN PEEL IN BRUSSELS

THE European Community's ECU 33.3bn (£21bn) budget for the current year was yesterday called into question by the Advocate-General of the European Court of Justice.

Mr Federico Mancini, rebuked the European Parliament and the EEC Council of Ministers, for what he descriged as "unlawful conduct" in drafting their spending plan for 1986.

In an opinion delivered on what is a major constitutional case for the institutions of the EEC. Mr Mancini concluded that the signature of the 1986 budget by Mr Pierre Pflimlin, President of the Parliament, should be declared void. That would mean the document was not legally adopted.

The opinion of the Advocate-General is normally followed in the Court's final judgment, likely to be delivered in the *coming weeks.*

Mr Mancini rejected the argument of EEC member-states in the Council of Ministers, backed by Britain, France and West Germany, that only part of the budget should be annulled. That would have involved some ECU 629m which was added by the *Parliament without the agreement* of the budget ministers.

Mr Mancini proposed, however, that any EEC spending incurred before the final judgment should be confirmed, to prevent making a budgetary muddle even more difficult to resolve.

He was particularly scathing in his references to the budget negotiating attitude of the Council of Ministers, in spite *of his final conclusion against* the European Parliament.

He accused the Council of a "violation of the rules" when it drew up its original draft budget, by deliberately leaving out items of extra spending in order to limit the margin for adding further plans left to the Parliament.

Mr Mancini said the budget ministers of the member states were also guilty of "unlawful conduct" when they refused to provide enough cash in the current budget to meet commitments legally incurred in the past.

The whole budget procedure, which involves months of shuttle *diplomacy between the Parliament* and the ministers, with the European Commission attempting to insert its required spending plans in the middle, was likely to go on producing conflict unless it was revised, he concluded.

Mr Mancini called for some form of review body involving the presidents of all the EEC institutions, and possibly involving the president of the court *itself as an impartial* member.

The Advocate-General's opinion has been rushed through the European Court system with unprecedented urgency, to allow the EEC budget for 1986 and 1987 to be finalised.

If his opinion is adopted by the whole court, it would mean that the whole budget for the current year would have to be reconsidered, at the same time as the member states are supposed to be deciding on an extra ECU 2.5bn as a supplementary. *They also have to approve a* budget for 1987 before the end of the year.

Commission boosts aid for developing nations

THE European Commission yesterday announced new aid *schemes to* 13 African, Asian and Latin American countries totalling more than 12,000 tons of food and Ecu 53.1m (£36m) *in special development loans,* AP reports from Brussels. Indonesia is the major beneficiary with Ecu 20.6m in loans for an irrigation project in the Lusi River valley in the island of Java.

Costa Rica, Guatemala, Honduras, Nicaragua, Panama and Salvador will jointly get Ecu 16.5m in loans for an international programme aimed at *fighting child mortality.*

Peru will receive Ecu 16m in loans *for a rural development* project in the upper areas of Azangaro and Huancane.

Power of Italian parties under fire

By James Buxton in Rome

THE President of Italy, Mr Francesco Cossiga, yesterday criticised the country's political parties, calling on them to revert to their true function, that of representing the citizen in the state.

In a major speech on the 40th anniversary of the founding of the Italian Republic, Mr Cossiga told the two houses of parliament: "when Parties reduce themselves to being instruments of simple power, the way is opened to the degeneration of *public institutions, to corruption*, to the worst dangers for democratic life."

"The central purpose of political parties is the promotion of the primacy of "good politics," meaning the primacy of the general interest over sectional interests, the *primacy* of the state and its institutions over those of groups, factions and self-interested cliques," he said.

Mr Cossiga's remarks, though carefully phrased, are a direct attack on the country's major political parties, which in the opinion *of many Italians, represent* constellations of interests, and whose influence extends into aspects of life which are virtually devoid of politics in most other democratic countries.

One reason for this is the fact that the same party, the Christian-Democrats, has been in power without interruption but with different allies since the war. The lack of alternation has permitted the Christian Democrats, their associates such as the Socialist Party led by Mr Bettino Craxi, the Prime Minister, *and their rivals* the Communists to extend their interests unchecked

In general, however, Mr Cossiga presented a positive picture of Italy's achievements since June 1946 when, by a narrow majority in a referendum, the monarchy *was abolished and the representatives* of the ruling house of Savoy exiled.

He pointed to the increased maturity of its institutions, which had resisted the assaults of terrorism in the 1970s.

But he sounded a warning note *on the subject of* unemployment and on the economic gap between the north and south of the country.

Gromyko attacks US over Salt 'blunder'

BY PATRICK COCKBURN IN MOSCOW

THE US threat to break the Salt 2 Treaty on the limitation of nuclear arms is "a major *blunder*," Soviet President Andrei Gromyko told a high-level British delegation yesterday.

President Gromyko said the US move was "a highly explosive charge" in the strongest *Soviet reaction yet to the* American threat to exceed limits on nuclear weapons imposed by the Salt 2 treaty of 1979. The US *had already* "struck blow after blow" against the treaty, he said.

Soviet leaders have said in private that a US decision to break the treaty limits will rule out any chance of a summit meeting between Mr Mikhail Gorbachev, the Soviet Leader, and President Ronald Reagan at the end of the year.

The 10-day visit by the British parliamentary delegation, led by Lord Whitelaw, the Deputy Prime Minister, marks a return *to normal* relations between Moscow and London which cooled *after* the expulsion of 31 Soviet officials for espionage from London last September.

Lord Whitelaw said that the future of Salt 2 was still "mercifully open" and was optimistic about moves for the abolition of chemical weapons.

The reception of the 14-strong British delegation by both Mr Gorbachev and President Gromyko indicates that Moscow still believes that, of the US's allies, Britain carries the most *weight* in Washington.

Sir Geoffrey Howe, the British Foreign Secretary, and other leading *figures* of the North Atlantic Treaty Organisation (*Nato*), have appealed to the US not to abandon the Salt treaty which the US has accused the Soviet Union of violating.

Mr Denis Healey, Deputy Labour Leader and the party's spokesman on foreign affairs, said the US decision to abandon Salt 2 in November, just before a possible summit meeting, was "imagination-boggling."

He said President Gromyko had called on Britain to reconvene the tripartite talks on a nuclear test ban but added that the Soviet Union needed to take a more realistic view on the verification of a nuclear test ban.

Soviet leaders stressed to the delegation that there is no point in a summit at which nothing new is agreed.

President Gromyko also repeated the Soviet view that intermediate nuclear weapons is one area where an agreement might be reached quickly.

Reuter adds: More than 200 Soviet citizens have received permission over the past few days to join families or spouses in the US, said Mr Yuri Kashlev, head of the Soviet delegation to the Berne conference on human contacts.

Moscow had approved 71 applications, each involving up to three family members. Applications *from* Soviet citizens seeking to leave for other countries had also been approved. All cases were treated bilaterally and were not connected with the conference.

France and Japan 'least affected' by Chernobyl disaster

BY DAVID FISHLOCK IN GENEVA

Lord Marshall

THE NUCLEAR programmes of France and Japan would be among the countries least affected by the Soviet fire at Chernobyl, Lord Marshall, chairman of the UK Central Electricity Generating Board, told the European Nuclear Congress in an opening address yesterday.

Addressing the question of the future of nuclear power, Lord Marshall said that for other countries the accident was likely to mean a long-term setback.

For France, the accident would prove a *minor* perturbation in an expanding nuclear power programme. France had four natural advantages which favoured nuclear power—no oil, no natural gas, no coal, and "no choice except to have a successful nuclear programme," he said.

He believed Japan was in a similar situation to France. Some nations however would *have their nuclear programmes* set back by many years, while for others there would be a renewal of interest in the early 1990s, he said.

In Britain the position was confused by plentiful oil, gas and coal. But he believed the accident to a type of reactor not used in the West, was not likely to affect the design of Britain's nuclear stations.

To prepare for the return of what Lord Marshall claimed was still the "cleanest, safest form of energy," the nuclear industry had to explain itself to the public "with the same dedication and professionalism that we normally apply only to our engineering."

Unless people understood that they were continually surrounded by naturally radioactive material, and bathed in radiation from it, they would not see the risk of nuclear power in perspective, he suggested.

Chernobyl gave the public, *for the first time, a real interest* in understanding the risks of radiation exposure. He urged the industry to "trust to the public's commonsense to accept nuclear power" despite what he described as the "trauma and emotion of this side event."

"Nuclear energy is a *political* technology, whether we want it or not," Mr Klaus Barthelt, president of Kraftwerk Union, the Siemens nuclear subsidiary, warned the Congress.

Dr Barthelt attacked politicians who said nuclear energy should be abandoned—but not just yet.

He deplored what he called a "wash me but don't wet me" attitude, saying that either nuclear power was publicly acceptable or it was not. It could not be seen as an interim energy option.

Sweden, which obtains about 50 per cent of its energy from 12 reactors, has already declared that it will shut them *all down by the year 2010.*

Sweden now faces opposition demands for an earlier phase-out and for the immediate shutdown of the two nuclear plants nearest to Denmark. Dr Carl-Erik Wikdahl, an executive of the OKG electricity company told the congress.

Several countries, including Sweden, West Germany, France and Britain, reported that they were re-examining the question of containment and whether the types of containment used round their reactors were strong enough to contain an accident like the Chernobyl explosion.

Westphalia nuclear plant to resume operations

A WEST GERMAN nuclear plant which was closed for "routine maintenance" a month after it briefly leaked radiation, will be restarted today, AP reports from Dortmund.

The United Electricity works in Westphalia said it believed an improperly open valve led to the escape in radioactivity, and that the problem had been *resolved.*

The shutdown of the reactor on Friday was done for "routine maintenance on non-emitting equipment. That work has been completed and we will now restart on Tuesday."

Reuter reports from Brussels: *Members of the European Parliament* yesterday called for an urgent review of the state of the European Community's nuclear plants following the Soviet reactor accident at Chernobyl on April 26.

The parliament's energy committee sent a letter to the EEC *executive commission* saying the review should give special consideration to the age of nuclear plants and the way they confine radioactive leaks.

Thatcher backs Kohl's call for conference on N-safety

THE PROPOSAL for an international conference on nuclear safety put forward last month by Chancellor Helmut Kohl of West Germany was *yesterday* welcomed by Mrs Thatcher, writes Peter Riddell.

Chancellor Kohl wrote on May 17 to the heads of government of countries with a nuclear power industry calling for a conference of high-ranking government representatives to *consider ways of providing* better protection against the risk of nuclear incidents.

In her response published yesterday, Mrs Thatcher says she fully agrees on the importance of improved international co-operation in this area.

"An international conference could contribute usefully to this end. In this context (and indeed more generally) I am encouraged by the outcome of the recent special session of the International Atomic Energy Agency board of governors which agreed to the convocation *under* IAEA *auspices* at an early date of a conference of governmental representatives to discuss the full range of nuclear safety issues."

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OVERSEAS NEWS

Devaluation may presage early Saudi budget

By Richard Johns

THE 2.7 per cent devaluation of the Saudi riyal against the dollar announced at the weekend could mean the presentation of a budget for the present financial year earlier than had been expected.

The adjustment of the rate from 3.65 to 3.75 will help minimise the reductions made necessary by a lower oil price and was greater than generally expected, according to bankers involved in Saudi Arabia.

Last March just before the end of the 1985-86 Saudi fiscal year King Fahd announced that the budget for 1986-87 would be delayed for five months because of uncertainty about oil prices.

Yesterday he was quoted by the Kuwaiti newspaper Al Seyassah as saying "in my opinion oil prices will stabilise around $20 per barrel because consumer countries have now used up nearly all their reserves, and as prices go down consumption tends to rise."

Pretoria rules out early ANC talks

BY PATTI WALDMEIR IN JOHANNESBURG

THE SOUTH AFRICAN government has publicly ruled out an early dialogue with the African National Congress (ANC), further dampening hopes that the Commonwealth can bring the two sides together for peace talks.

Launching a pamphlet entitled "talking with the ANC" yesterday in Pretoria, Mr Louis Nel, the deputy Minister of Information, made it clear that talks were impossible unless the movement renounced violence and severed its links with the South African Communist Party.

The glossy colour pamphlet uses selected excerpts from ANC publications and statements to support Pretoria's allegations that the Congress is committed to "indiscriminate violence" and that over three-quarters of its leaders are card carrying members or active supporters of the Communist Party. The Government has previously alleged that 63 per cent of the leadership were communists and it was not clear why this figure had been revised. Both figures are considered far too high by western diplomats in Lusaka, the ANC's headquarters.

The timing of the pamphlet's publication coincides with the final deliberations of the so-called Commonwealth Eminent Persons Group which is due to meet in London later this week to consider the outcome of several months of efforts to initiate dialogue between Pretoria and the ANC, the most influential anti-apartheid group fighting white rule in South Africa. The seven-member group must decide whether to recommend the imposition of economic sanctions by the commonwealth to pressure for political change in the Republic.

Mr Nel denied that his Government's intention was to undermine the Commonwealth peace initiative, which would involve the release of Mr Nelson Mandela, the imprisoned ANC leader, and the legalisation of the movement in South Africa in exchange for the renunciation of violence by the ANC. These moves would be pre-conditions to the initiation of peace negotiations between the two sides.

Aquino urges fast work on constitution

By Samuel Senoren in Manila

THE PHILIPPINE President Mrs Corazon Aquino yesterday asked a 48-member constitutional commission to finish its work within three months so that her country could become a "full-blown democratic republic" before the end of the year.

Mrs Aquino, who appointed the commission more than a week ago, assured its members of total independence but pleaded with them to do their jobs as swiftly as possible without playing too [illegible]

Mrs Aquino addressed the opening session of the constitutional commission a few hours after riot police had dispersed a large group of supporters of former President Ferdinand Marcos which had massed in front of the Convention Hall.

Mrs Aquino abolished the previous constitution shortly after taking power from Mr Marcos last February.

Tunisian loan

A $120m loan for the Republic of Tunisia was signed in Paris last Friday, arranged by Banque Nationale de Paris, Union de Banques Arabes et Francaises and Bank of Tokyo. This corrects an erroneous report which appeared in yesterday's Financial Times. This loan was well received by international banks although US banks did not participate either as managers or underwriters of the loan.

Syrian pilots train to fly MiG-29s

BY TONY WALKER, RECENTLY IN DAMASCUS

SYRIAN pilots have been sent to the Soviet Union for training on advanced MiG-29 fighter aircraft, according to Arab and West European military attachés in Damascus.

They say the pilots were sent at about the time of the US April 15 air raid against Tripoli and Benghazi. Some 60 MiG-29s are expected to be delivered to Syria in the next several years.

The Soviet-built aircraft is of the same generation as Israel's most advanced fighter, the American F-16. When the MiG-29 comes into service with the Syrian airforce it will complement the MiG-25 (Foxbat) deployed for the past several years.

According to the London-based Institute of Strategic Studies, Syria's air force includes two squadrons of MiG-25s among its 15 squadrons of interceptors.

Western defence officials in Damascus say that Syria's Soviet-supplied air defences have been significantly upgraded since the 1982 debacle when Israel destroyed some 80 Syrian aircraft at the onset of the Lebanon war.

But they believe that Israel maintains clear overall air superiority, despite the improvements in Syria's defensive shield, which includes mobile Sam-16 and Sam-8 short- and intermediate-range missiles, and possibly Sam-13s.

These are supported by elderly Sam-2s and by Sam-5s, which are capable of striking at Israel's high-flying reconnaissance aircraft.

Syria's arsenal of missiles includes some 18 short-range Frog 7s and about the same number each of longer-range SS-21s and Scud Bs.

Mr Hafez al-Assad, Syria's president, has said it is his country's aim to achieve strategic parity with Israel. But most defence experts believe Syria is well short of that goal.

SHI'ITE MILITIA SEEKS TO COUNTER ALLEGED ARAFAT PLOT

Refugees flee again from Beirut violence

BY NORA BOUSTANY IN BEIRUT

THEY SAT de[illegible] floors under makeshift tents and in underground garages, displaced once again from their shantytowns.

Palestinian refugees, haunted by past wars and massacres, huddled in shelters as guerrillas and Shi'ite Amal militiamen battled for control of three ravaged camps on the outskirts of Beirut.

The Amal militiamen, crouching behind sandbags blocking the main street in the Sabra camp, said they would rather go on fighting than "be surprised every now and then by a grenade-hurling Palestinian."

The Amal fighters fired a few rounds of mortars across the ghostlike and deserted camp, where stray cats rummaged among malodorous piles of garbage and spent bullets.

Mr Nabih Berri, Shi'ite Amal movement chief, said following a meeting with local allies and Syria's military intelligence chief in Lebanon that he would not "settle for temporary solutions." Almost two weeks of intermittent rocket and machine-gun duels, sometimes involving Syrian-supplied Soviet T-54 tanks positioned around the Palestinian camps, have claimed more than 50 dead and 300 wounded.

Amal has vowed not to let Palestinian guerrillas spill out from the besieged refugee camps of Sabra, Chatila and Bourj al-Barajneh into other parts of the Moslem-controlled half of Beirut.

It is feared that the camp fighting, though still contained on the southern edges of Beirut, may spark inter-Moslem conflict in this anarchy-ridden area, where Sunni Moslems sympathising with supporters of Mr Yassir Arafat, the Palestine Liberation Organisation chief, may seize the occasion to strike back against the more dominant Shi'ites. A three-hour battle between a local Sunni Moslem group, led by Mr involvement in terrorist opera- Chaker Berjawi, an anti-Shi'ite activist, and Amal on Sunday night gave Beirutis a foretaste of a possible expansion of hostilities.

Mr Walid Jumblat, the Druze chieftain, back from an emergency meeting in Damascus, accused Mr Arafat of pumping funds into Lebanon and dispatching fighters to "Beirut, and the camps in particular." Mr Berri, Syria's closest ally in Lebanon, claimed that Christian gunners were pounding the Shi'ite southern suburbs of Beirut to provoke tension between Amal and Druze Progressive Socialist Party fighters in the mountains overlooking the camps. He claimed that 60 Shi'ite civilians and fighters had died in the shelling and camp fighting.

Political observers in Beirut said this round of fighting in the camps may be part of a Syrian tactic to destabilise conditions in Lebanon and allow a resurgence of Palestinian power. The main aim would be to divert attention from Western accusations of Syrian tions and to redefine its role as a main power-broker in Lebanon and the region.

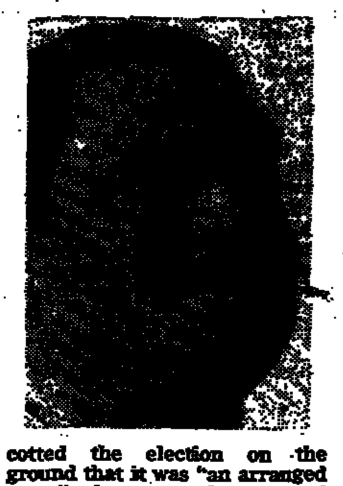
"We have become an easy trade. Everyone is buying and selling us," complained Mrs Fatima Khadar, a Palestinian woman squatting on a straw mat under the shade of a blanket tied to a tree in the playground of a school run by the United Nations Relief and Works Agency.

Some 500 Palestinian refugees had fled to the school for shelter when fighting intensified over the weekend. Many of them had relatives still trapped in the camps. Mrs Rady Saleh, 50, said she only managed to grab four of her 10 children before running away. "I am terrified for the others."

Rough mattresses, one or two gas cookers and rags were the refugees' main belongings at several shelters around the camps. "I would prefer death over living like this, it would be more honourable for us. We have no men, no homes, our sons are missing, why don't they exile us or throw us into the sea," said one woman bitterly.

Sayed Kamaluddin reports on the outlook for the new Bangladesh Government

Ershad undaunted by calls for boycott



MRS SHEIKH HASINA, president of Bangladesh's largest opposition party, appears determined to attend the first session of the country's newly elected parliament despite mounting pressure for a boycott from within her party.

Radicals within the Awami League want to take a firm stand against the May 7 election, which they claim was widely rigged, and demand a re-election in about 100 seats.

Mrs Hasina told the English-language daily newspaper New Nation last week, however, that her party took part in the polls to "restore democratic process in the country" and attending the parliament session was "important to reach that goal."

Independent observers believe that both the Government-backed Jatiya Party (JP), the Awami League and others played their part in widespread violence and rigging in the recent polls.

The other large opposition Bangladesh Nationalist Party (BNP), led by the late President Ziaur Rahman's widow Begum Khaleda Zia, which had boycotted the election on the ground that it was "an arranged game" between the Awami League and President Ershad, has asked the Government to cancel the election and hold another under a neutral, caretaker government.

Its repeated attempts to whip up popular sentiment against what it calls the rigged elections during the Moslem fasting month of Ramadan have so far failed to generate any visible impact.

A simple majority with 152 seats will enable the JP to vote in 30 extra seats reserved for women and it has already called for applications from prospective candidates. However, the Government will need a two-thirds majority in a house of 330 to ratify all the martial law orders and the reforms carried out in the past four years.

Without this ratification all its past actions would become unconstitutional and therefore illegal, including the order under which the elections were held. In that unlikely development, the parliament would cease to exist and President Hossein Mohammad Ershad could be tried on charges of treason.

A government official said that at least 25 Independents and 11 members from three smaller nationalist parties, including a component of the Eight Party Alliance, will support the government. But that still leaves a shortfall of three.

However, a visibly relaxed and confident President Ershad said late last week that he will have no problem in getting the "required support to get through the drill." Nobody would like the past four years' work to be washed out, he said. His immediate concern is how to lift martial law. "I want to leave the question (of lifting martial law rule) with the parliament," he said.

Meanwhile, an official said a new interim cabinet would be formed this month. Once the parliamentary session begins, the cabinet would be reshuffled and a new leader of the House and a Prime Minister would be elected.

Three names are being mentioned as prospective Prime Minister. They include Dr M. A. Matin, JP secretary general and a noted eye surgeon, Mr Mizanur Rahman Chowdhury, senior parliamentarian and JP vice chairman, and Mr Moudud Ahmed, a London-trained lawyer and former deputy prime minister in the late President Ziaur Rahman's cabinet. Mr Kazi Zafar Ahmed, Commerce Minister, is also in the running. However, Dr Matin appears to enjoy the confidence of the army and therefore has an advantage.

The ruling party will have a tough time to control the largest ever opposition group in this parliament. A lot of hard bargaining is expected between the Government and the Opposition, especially the Awami League, before the first session settles down. With 75 members and support from other parties, the Awami League will prove extremely difficult to tackle

BANGLADESH PARLIAMENTARY SEATS	
Jatiya Party	152
Eight Party Alliance	96
Awami League	75
Independents	33
Jamaate-Islami	10
Communist Party of Bangladesh	5
National Awami Party	5
Moslem League	4
JSD (Rab group)	4
Jatiya Samajtrantrik Dal (Siraj group)	3
Baksal	3
NAP (Mufazzar group)	2

Peking introduces China's first plastic money

BY ROBERT THOMSON IN PEKING

THE FIRST salvo in the plastic revolution was fired in Peking yesterday with the launch of the "Great Wall Card" by the Bank of China, which has grand plans for automatic tellers and a credit card network.

For the time being, the "Great Wall Card" will only be available to foreigners and overseas Chinese, and the first reactions of both those groups suggest that the tough conditions imposed by the bank will keep use to a minimum.

But it is a step on the long march to a cashless society, and as one Peking-based foreign banker said: "If I had told my head office a few years ago that China was introducing credit cards, they would have sent somebody over here with a strait-jacket to take me home."

As such the credit card is a "debit card," and the user must open a separate account with the bank and deposit enough money to cover purchases made with the plastic. For the privilege of using your own money, the annual fee is 50 yuan (£10.35).

If there is an overdraft, the Great Wall Card's conditions provide that "the cardholder has to pay overdraft interest as regulated by the bank—interest shall be calculated on the overdrawn amount at 10 per cent within ten days after the overdraft, and starting from the 11th day up to the cancellation of the card, the above interest rate shall be doubled calculated monthly."

Another Peking-based banker said the card was typical of the conservative, "no-risk approach" of Chinese officials to finance, but is a "breakthrough." The banker said he would not bother subscribing because the use is too limited.

At present, Peking's plastic money can be used in 36 stores and restaurants around the Chinese capital. Air tickets can be bought on the card, and cash can be drawn on it from the central branch of the bank.

A Bank of China spokesman said the range of uses would increase greatly in coming months, and that the Great Wall Card had been introduced "because this method is very popular abroad." He said foreign bankers had been consulted during the [illegible] work which began in May last year.

"It will also help us reduce that amount of cash circulating, and to a certain degree, it will help us control the use of foreign exchange," the spokesman said. The bank already has a cheque system for foreigners, and foreign credit cards can be used in a few hotels and restaurants.

The publicity associated with the launch has been exaggerated in true Chinese style. It is suggested that the Great Wall Card "is your most faithful partner," and "can release you from risks for carrying cash—it can bring you to the noblest reception."

North Korean successor chosen

MR KIM IL SUNG, the North Korea President, has declared that his successor has been chosen, though he did not say who will take over or when a succession will take place, according to an official (north) Korean Central Agency report, AP reports from Tokyo.

KCNA, in a broadcast monitored in Tokyo, quoted the 76-year-old Mr Kim as saying in a weekend lecture that "the question of inheriting the revolutionary cause has been satisfactorily solved."

Many Western and some East bloc analysts maintain that Mr Kim's son, Mr Kim Jong Il, aged 44, will take over his father's position as the Communist world's first hereditary successor.

AMERICAN NEWS

AT & T negotiations with union over strike break down

BY PAUL TAYLOR IN NEW YORK

NEGOTIATIONS BETWEEN American Telephone and Telegraph (AT&T), the US telecommunications group, and striking members of the Communications Workers of America (CWA), were suspended yesterday after negotiations between the union, representing 155,000 workers — almost half AT&T's total 330,000-strong workforce — broke down.

The strike which began on Sunday after the union rejected an AT&T pay offer of 8 per cent over three years — had little immediate impact because 90 per cent of AT&T's long distance telephone traffic is handled automatically.

However, AT&T admitted that operator assisted calls were being delayed by "between a few seconds and a minute" but added that it expects the service to improve as managers, filling in for strikers, become more familiar with the job.

AT & T has assigned more than 50,000 of its 115,000 managers to strike duty with the bulk filling in for 36,000 striking operators.

The CWA strike action was called after the union rejected the phased pay offer which it claimed was linked to demands for concessions by the telecommunications group—a claim AT & T rejects. "We really are not asking for concessions," the company said. However, it admitted that it is seeking to reclassify technicians' jobs—which would affect new recruits—and to abandon a cost-of-living wage adjustment system.

The union president, Mr Morton Bahr, who has characterised AT & T's pay offer—increased from an initial 5 per cent over three years—as, "an elephant giving birth to a gnat," has said the union will not agree to "give-backs" for a company whose profit rose last year and whose top officers received pay and benefits increases. The AT & T offer comprises a 1 per cent increase this year followed by increases of 2 per cent in 1987 and 1988.

The strike is the first faced by AT & T since it was reorganised at the start of last year when it spun off its local Bell Telephone operating companies under a court-approved break-up. Local telephone services will not be affected at all by the strike because union contracts with the seven regional Bell Telephone holding companies do not expire until August 9.

Senators spruce themselves up for the TV cameras

BY REGINALD DALE, US EDITOR IN WASHINGTON

ONE DAY last month 57 red ties, and at least one newly dyed head of hair, were reportedly observed on the floor of the 100-strong US Senate (membership 98 per cent male). The red ties, meant to be the most flattering to the white male complexion on TV, were the clearest sign that the Senate was sprucing up its act for its screen debut.

Yesterday, after a month's trial run on closed circuit, the self-proclaimed "world's greatest deliberative body" went live. The Senators, promised Mr Robert Dole, the Republican majority leader, would "look sharp" for their opening week.

Seven years since TV cameras entered the House of Representatives, and after a great deal of agonising, the Senate is starting a six-week live test before voting at the end of July on whether to prolong the experiment. Gavel-to-gavel coverage will be beamed to 25m American households, about one quarter of those with TV sets, and snippets will be available for the evening nationwide network news programmes.

Many senators, particularly the older ones, view the arrival of the video age with foreboding. There is concern over camera angles that play up thinning hair, the risk of "grandstanding" by windy orators and fears that the chamber will be divided into media stars and duds.

Senate procedures, which in principle allow speakers to talk for as long as they like, are likely to baffle all but the initiated. (The House usually limits speeches to five minutes, and bans filibusters.)

Last autumn Democratic Sen David Pryor of Arkansas calculated that, over a sample period, the Senate had devoted one third of its time to quorum calls and roll calls. Quorum calls often used as a delaying tactic, can last several hours, in which nothing much happens. As Sen Bennett Johnson, a Louisiana Democrat, puts it "it is not a pretty thing to watch."

TV advocates, however, hope that the advent of the cameras will help to sharpen the procedures, shorten the speeches and generally enliven debate, as they have done in the British House of Lords.

Many senators have become increasingly envious of the exposure that their junior colleagues in the House have gained over the past seven years. They complain that when they go back home, their constituents demand what they have been up to while the local House member has been starring on the evening news.

Mr Robert Byrd, the Democratic minority leader and an enthusiastic convert to TV, has complained that without the cameras the Senate can no longer hold its own either against the House of Representatives or the White House. "Many people," he says, "think Congress is only what they see on TV—Tip O'Neill and the House of Representaives—and it shouldn't be that way."

Venezuela debt talks postponed

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

FRICTION between Venezuela and its bank creditors over late interest payments on public sector debt have forced a postponement of discussions on amending its newly-signed $21.2bn debt rescheduling agreement to take account of lower oil prices.

Mr Manuel Azpurua, Finance Minister, had been due to travel to New York this week to initiate talks on the rescheduling agreement, but following an exchange of telexes with Mr Francis Mason, a senior executive of Chase Manhattan who chaired the banks' negotiating committee on Venezuela's rescheduling, he has decided to remain in Caracas.

Creditor banks are worried because late interest payments, which have long plagued them in their dealings with Venezuela, have resurfaced at a number of autonomous public sector entities such as Edelca, the hydroelectric utility, and Cadafe, the power supply concern.

Though the delays are not long and traceable to bureaucratic snarl-ups rather than a deliberate policy of withholding debt service payments, they have created a backdrop of irritation against which an agreement to amend the rescheduling seems unlikely.

President Jaime Lusinchi announced in April that Venezuela would seek to renegotiate parts of the 12½ year debt rescheduling agreement signed in February after three years of negotiation. Venezuela's $35bn foreign debt makes it the third largest debtor in Latin America.

Bankers in New York said yesterday it was possible Mr Azpurua might still travel there next week.

Venezuela stands to lose some $5bn out of projected export income of $12.6bn this year because of the fall in oil prices and officials say it should not have to meet the repayment schedule under the rescheduling agreement.

US factory orders rise

New orders for manufactured goods rose by $211m (£143m) or 0.1 per cent in April to a seasonally adjusted $193.18bn, the Commerce Department said, Reuter reports from Washington.

The increase followed a revised drop of $5.6bn, or 2.8 per cent, in March from February's level. Previously, the department said factory orders fell by 2.2 per cent in March.

New orders for durable goods decreased by $175m, or 0.2 per cent, in April up from the 0.8 per cent decline the department reported two weeks ago.

Without defence capital goods orders, total orders rose by 1.6 per cent

Bush leads Republican race for presidential ticket

BY OUR US EDITOR

VICE PRESIDENT George Bush is still well ahead of the pack in the early stages of the race for the 1988 Republican presidential nomination, according to a Time Magazine poll published yesterday. Just over half (51 per cent) of 572 Republicans and independents surveyed said that Mr Bush was their first choice, followed by Mr Robert Dole, the Senate majority leader, with 13 per cent, and former Senator Howard Baker of Tennessee, with 8 per cent.

Mr Jack Kemp, the right-wing congressman from New York, shared fourth place, at 5 per cent, with television evangelist Pat Robertson, who made a strong showing in last week's preliminary test of strength in Michigan. A conservative, Mr Robertson claimed victory in a contest with Mr Bush and Mr Kemp to sign up the most candidates for precinct delegate in Michigan.

The Time poll results were similar to a survey published by the Washington Post last week, which showed Mr Bush in the lead with 58 per cent, followed by Mr Baker with 14 per cent and Mr Dole with 12 per cent.

FRANCOPHONES OPTIMISTIC

Montreal gets back to making money

BY ROBERT GIBBENS IN MONTREAL

MONTREAL, Canada's second largest city, is finding a new balance and resuming its role as a link between Europe and North America, after nearly 20 years of language strife and the departure of 100,000 anglophones and nearly 100 businesses.

A new generation of francophone managers, mostly bilingual, the product of Quebec's business school boom of the 1970s, has taken over economic power in Montreal and is energetically manoeuvring to form new pools of capital. This is a confident breed, bristling to compete with Toronto and the rest of Canada, with a North American and world perspective, ambitious and determined to keep Montreal and Quebec right up with the mainstream.

Francophones are still underrepresented in the manufacturing sector, but the new generation of managers and entrepreneurs knows its financial ratios. So does the younger group of professionals, seeing creative opportunities in provincial and federal tax shelters and bringing new life to the stock and option markets in Montreal.

A significant majority of francophones showed last December that they felt the French language had become sufficiently established within the economic fabric of Montreal, when they voted out the Parti Québecois Government of Mr René Lévesque and replaced it with Mr Robert Bourassa's Liberals in the Quebec provincial government.

Only a year earlier they had voted overwhelmingly for Mr Brian Mulroney and the Federal Progressive Conservatives, once Mr Pierre Trudeau had departed from the Liberals.

Now another era is coming to an end, as 70-year-old Mayor Jean Drapeau ponders his future after nearly 30 years in office. Mr Drapeau has done a great deal for Montreal, with his *politique de grandeur*; Expo 67, Canada's centenary celebration; the Montreal Metro (45 miles of rubber-tyred subway) and the Olympics of 1976 for which C$700m (£343m) of debt remains outstanding. But Mr Drapeau's hold on civic power is slipping.

Anglophones have begun to feel more at ease with Mr Bourassa and the Quebec Liberals and, though it may take some time before their institutions get the guarantees for the English language which they want, they feel the francophones, now more than 70 per cent of Montreal's population, have finally rejected separatism.

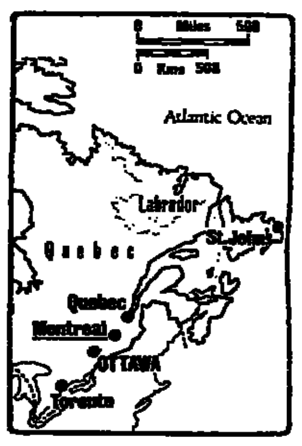
Mr Lévesque settled the language issue with the French Language Charter of 1977 or Bill 101, which made signs in Montreal unilingually French, required even francophone companies to apply for certificates of their Frenchness and closed the English school system to all children except those whose parents had been educated in English in Quebec.

It was the signal for the departure of many head offices, led by Sun Life Assurance of Canada, the country's largest insurance company. Most of the moving trucks stopped at Toronto.

The Lévesque Government floundered after it had lost the 1980 referendum and lost ground further when its overspending on a contracting tax base forced a rollback of civil servants' and teachers' pay. The two large union federations found the Lévesque Government was *comme les autres*. The scene was set for the extraordinary return of Mr Bourassa.

Montreal businessmen have always been optimistic about their city and its international role linking Europe and North America and its ability to revive as a financial and transportation centre.

In 1979, confident the PQ would not last, they began a building spree that would put nearly 3m sq ft of office space on the market. They had to wait another four years to see the PQ go, but now another C$500m of downtown office and shopping centre construction is under way.



The city, with a large multilingual infrastructure of professional services and four major universities, believes it can attract many more European firms anxious to use low-cost hydro power or make bridges into the US market.

The Montreal Stock Exchange is trying to build an international division by listing major European-based companies' stocks and offering fast and low-cost training to North American international investors.

Some Ontario real estate money has returned, attracted by low land prices in Montreal and some conspicuous redevelopment possibilities. Statistics also suggest that the long decline of Montreal's population has ended.

Mr Bourassa has moved quickly to ease the fears of anglophones in education and has reduced personal taxes to near the Ontario level, removing the main obstacles to personnel transfers to Montreal from other parts of Canada.

Though Montreal's mood has changed so much for the better and the construction cranes are out again, serious challenges remain. But this time, the language groups are determined to deal with them jointly.

Two world energy crises have laid waste Montreal's oil refining and petrochemical industries and hastened the decline of others. Montreal has not yet found its niche in the post-industrial age, and it is searching hard for new activities to graft on the old.

The new Government's strategy leans on privatisation of a dozen crown corporations, entrepreneurships, capital formation, competitiveness, public sector rationalisation, exports and ultimately a resumption of developing hydro-electric power for sale to the US. All of this directly affects Montreal, the hub of the province's economy.

But hundreds of students graduating from universities, colleges and technical schools find it difficult to get jobs.

Montreal is holding an economic summit in mid-June. Ideas will certainly not be lacking, but the will to act on the best of them may be the biggest challenge of all.

The all-new estates by Mercedes-Benz – the elegance of practical engineering.

The simplest way to contain space is to construct a box around it.

So it is easy to see how the basic estate car has evolved with all the style of a box van.

By giving the estate function a more intelligent and integrated form, Mercedes-Benz have taken a much more inspired approach than other designs currently seen around the countryside.

The elegant flowing lines of the T-series certainly allow the front and rear to live together in perfect harmony. It is undoubtedly one of the most stylish of Mercedes-Benz'.

Yet what is pleasing aesthetically is also pleasing from a practical point of view.

THE MERCEDES-BENZ T-SERIES

The provision of a divided, folding rear seat and folding front passenger seat allow unusually long and awkward loads to be accommodated.

The load space is smooth-sided and flat-floored for easy loading and unloading.

And there's a larger, high-opening tail gate that glides open on two gas-filled struts, has concealed hinges and an electric motor to pull it safely shut.

In terms of comfort and performance, the T-series behaves with the same impeccable manners as the 200/300E series saloons.

The choice of engines is headed by a sophisticated new six-cylinder unit of 188 bhp giving 0-62 in just 8.8 seconds and a top speed of over 130 mph making this new Mercedes-Benz one of the fastest estate cars on the market.

Model	Engine size(cc)	Cylinders	Transmission (standard)	Horse-power (DIN)	Top Speed (mph)	0-100 kph (0-62 mph)
Petrol 200T	1997	4	5-speed man.	109	109	13.6 secs
230TE	2299	4	5-speed man.	136	118	10.9 secs
300TE	2962	6	4-speed auto	188	131	8.8 secs
Diesel 250TD	2497	5	5-speed man.	90	103	17.4 secs

It could also prove to be one of the more frugal, with a potential 31 mpg.

As well as giving you the legendary Mercedes-Benz roadholding, the rear suspension is also self levelling so you won't ride with your nose in the air when you collect your Chippendale sideboard from the sale rooms.

And as you enjoy the swift and silent drive home you can reflect on the fact that those smooth, flowing lines unbroken by door handles or guttering actually keep the drag to just 0.34.

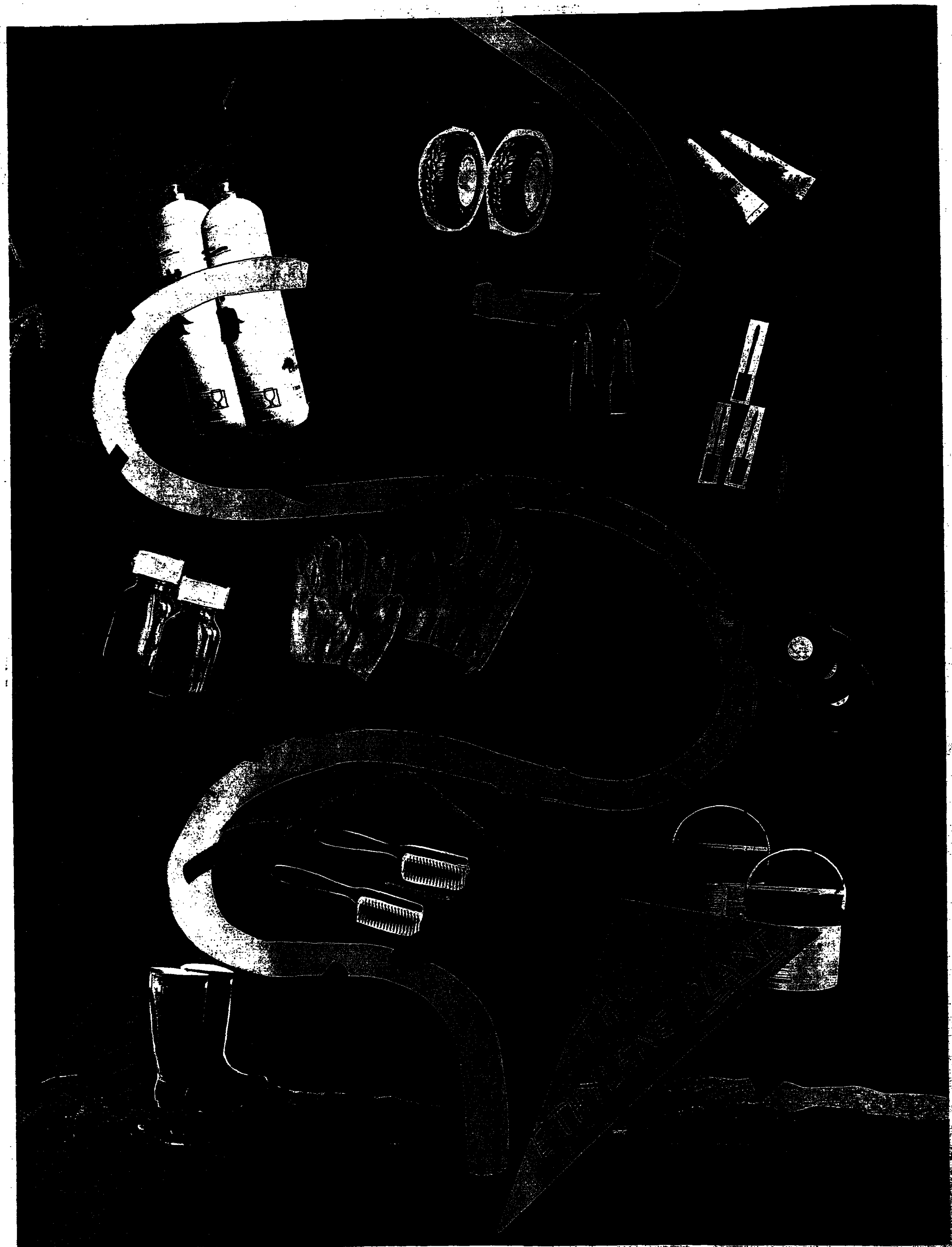
Surprising how so much space can be propelled so elegantly through the air with hardly a ripple.

Mercedes-Benz

Engineered like no other car in the world.

100 YEARS OF THE AUTOMOBILE DAIMLER-BENZ

Official Fuel Consumption Figures: mpg (litres/100 km). 200T 5-speed manual: Urban 23.2 (12.2), 56 mph 41.5 (6.8), 75 mph 33.2 (8.5). 230TE 5-speed manual: Urban 23.9 (11.8), 56 mph 42.2 (6.7), 75 mph 33.2 (8.5). 300TE 4-speed automatic: Urban 20.9 (13.5), 56 mph 31.4 (9.0), 75 mph 25.7 (11.0). 250TD 5-speed manual: Urban 29.7 (9.5), 56 mph 48.7 (5.8), 75 mph 36.2 (7.8).



Cathay Pacific orders two longhaul Boeings

BY DAVID DODWELL IN HONG KONG

CATHAY PACIFIC AIRWAYS, Hong Kong's unofficial flag carrier, plans to announce tomorrow the purchase of two of Boeing's prototype ultra-long range aircraft, the 747-400, at a cost of almost HK$1.6bn (£138m). The airline has also committed itself to using Rolls Royce RB 211 engines on the aircraft.

If existing options for a further seven 747-400s are taken up, then Rolls Royce stands to win orders worth about £350m between now and 1991. Cathay's total investment in new aircraft over the next three years is expected to amount to about $600m.

Cathay is incorporated in Hong Kong, but is controlled by the Swire Group of the UK and the Hongkong and Shanghai Banking Corporation. Just a month ago, a public offering of 15 per cent of its shares, worth HK$1.5bn, attracted subscriptions worth HK$51bn.

Cathay was one of a small group of airlines, including Singapore International Airlines and Northwest Orient, that have been used by the Boeing corporation to assist in selecting design specification for the prototype 747-400.

Cathay's decision to confirm two of its nine options involves an immediate down payment of just $10m.

Eleven of Cathay's 20 aircraft presently in service are Boeings. The Lockheed Tristars that make up the rest of its fleet are approaching retirement, and tomorrow's decision takes the airline a step closer to having an all-Boeing fleet.

The decision comes at a point when Cathay is inaugurating a number of new long-haul routes. It has just begun operating scheduled services to Peking and Shanghai in China, and to Paris and Rome in Europe.

It is also competing with the fledgling Hong Kong Dragon Airlines to operate scheduled services between Hong Kong and Amsterdam.

The airline takes delivery of two Boeing 747-300 stretched upper deck aircraft over the next 12 months, and has options to purchase another two 747-300s in the following year. A Boeing 747-200 has been ordered to operate as a freighter.

The 747-400s just ordered will be delivered in April and May 1989. If the remaining options are taken up, these aircraft will be delivered between late 1989 and 1991.

Indonesia to boost foreign investment

By Michael Byrnes in Jakarta

THE Indonesian Government has almost doubled areas open to foreign investment, following a decline in non-oil overseas investment from $1bn in 1984 to $859m last year.

The country's Foreign Investment Coordinating Board (BKPM) announced yesterday that the number of areas open to foreign investment had been increased from 475 to 926. Some of the new areas are extensions of categories already open to foreign investment.

Areas which have been extended for foreign investment include agriculture, industry, mining and energy, pharmaceuticals, food products, fisheries, poultry, cattle farming, rubber, palm oil, tea and coconut plantations.

Almost all retailing and transportation remain closed to foreign investment. Areas fully closed to foreign investment have been decreased from 179 to 75.

New areas now fully open to foreign investment include industrial support services, public housing, sea communication, shipbuilding and road construction.

Egypt gives priority to coal power plant

BY TONY WALKER IN CAIRO

EGYPT IS giving priority to an Australian-proposed scheme for the construction of a $2bn (£1.3bn) coal-fired power station and trans-shipment facility to be built in Zafarana, on the Gulf of Suez coast south-east of Cairo.

Mr Mohamed Maher Abaza, Electricity Minister, told a multi-national group of the scheme's proposed contractors last week that Egypt's coal-fired power station programme was being given the "highest priority."

Mr Abaza's remarks followed within days an announcement by Mr Ali Lutfi, the Egyptian Prime Minister, that Egypt is delaying a decision on a proposed nuclear power station until the International Atomic Energy Agency publishes its report on the Chernobyl disaster.

Kraftwerk Union of West Germany, Framatome of France and Westinghouse of the US lodged revised bids in April. A decision was expected by the middle of the year but chances of Egypt proceeding with the nuclear plant appear slim in the face of its economic difficulties and in the aftermath of the Chernobyl disaster.

The validity of bids by the three contenders for the proposed nuclear power station at el-Dabaa, west of Alexandria, was extended until June 26. A representative of one of the companies bidding for the nuclear facility said this week he expected Egypt to ask for a further extension.

Energy Resource Manager's Proprietary (ERM), an Australian consulting firm, has put together the detailed proposal for the 2,500 MW coal-fired power station on the Gulf of Suez. Other companies involved are Ebasco Services and General Electric of the US, and Siemens of West Germany.

The plant would utilise 6,500 tonnes of steaming coal annually carried from Australia in 200,000-tonne vessels to be stockpiled at Zafarana for possible shipment elsewhere. The trans-shipment facility would have a capacity of about 15,000 tonnes a year.

Australia is proposing a government-to-government arrangement under which it would act as guarantor for the project. Various official credit agencies would help with the financing.

The Electricity Commission of New South Wales, Australia's most populous state, has offered designs of an existing 2,500 MW power station near Sydney as a model for the Zafarana plant. A representative of ERM said preliminary work on the project could begin as early as September if Egypt gave quick approval.

UK and Japan to build £230m Sri Lanka dam project

BY JOHN ELLIOTT IN COLOMBO

BRITISH and Japanese contractors are linking up to build a £230m hydro electric dam and power station called Samanalwaewa in Sri Lanka backed with aid from both countries' governments.

Contracts are expected to be signed before the end of this year and the aid will help to boost funds being provided by developed nations at their annual aid meeting in Paris later this month.

The project forms part of Sri Lanka's £1.5bn Mahaweli irrigation and power scheme which is going ahead despite the country's ethnic and associated economic problems.

A partnership of British companies comprising Balfour Beatty, Alexander Gibb and partners, and GEC will be the main contractors for the British share o fthe work which is expected to amount to about 45 per cent of a total £170m of work to be placed abroad.

Last year the British Government refused a Sri Lankan Government request for aid of up to £45m out of its regular aid budget. But it has now agreed to provide around £16m to £18m from its aid for trade provision which is used to help win major international projects.

The remainder of the British share of the financial package including export credits will be raised by Lloyds merchant bank.

The British companies have been urging the UK government to provide aid so that they could win the contract having finished the Mahaweli Victoria dam which was built with £115m of British aid and was opened by Mrs Margaret Thatcher, the Prime Minister, in April last year.

Japan is to carry out the remaining 55 per cent of the work but its contractors have not yet been chosen because aid terms have yet to be finalised. Nippon Koei of Japan is likely to be appointed consultant to Sri Lanka for the project.

The remaining £60m of the total £230m cost will be met by Sri Lanka.

Along with aid to be provided by West Germany for the Mahaweli Rantambe dam, this project is helping to boost financial commitments which will be made by aid donor countries at their annual meeting in Paris on June 19.

The island's ethnic crisis has halted any growth in aid commitments, partly because violence on the island is reducing the potential for development schemes, and partly because some Scandinavian and other countries disapprove of the governments handling of the crisis.

Overall the amount of aid to be pledged on June 19 is expected to be around $500m. Marginally above last year's $480m, but well below $550m two years ago.

Aid from the UK has fallen from a peak of about £38m to £8m following completion of the Victoria dam, but will go up because of the Samanalwaewa project. Japan, whose aid commitment is rising from about £65m last year to £106m, has overtaken the US as Sri Lanka's largest bilateral donor. US aid has dropped from about £53m to £26m in the past two years.

HK aircraft noise law may pose problem for Peking

BY OUR HONG KONG CORRESPONDENT

NEW LAWS aimed at controlling aircraft noise around Hong Kong's busy Kaitak airport will present China's national airline with a dilemma over fleet modernisation.

Under the Civil Aviation (Aircraft Noise) bill, due to be presented to the territory's Legislative Council in two weeks, domestic airlines will by September 1 this year have to possess noise certificates showing their aircraft comply with international noise emission standards.

Domestic airlines include just Cathay Pacific Airways and the one-aircraft Hong Kong Dragon Airlines. Neither is expected to have any problem in obtaining certificates for their modern aircraft. Other airlines will have to conform to the new regulations at some date after January 1 1988.

The new regulations are expected to create a major problem for CAAC, mainland China's national carrier, which operates about 60 flights a week into Hong Kong. Most of its aircraft are ageing Tridents or BAC 1-11s—both of which are too noisy to qualify for certification. The new laws serve notice on CAAC that access to Hong Kong will in due course be restricted for all but its modern wide-bodied aircraft.

New noise regulations would have the effect of barring from Kaitak ageing, narrow-bodied aircraft which can carry few more than 120 passengers. The same number of flight movements by modern wide-bodied aircraft will allow many more passengers to pass through Kaitak without extra pressure on the airport.

CAAC is already committed to a major aircraft refurbishment programme. It has recently ordered a number of aircraft from Boeing, while McDonnell Douglas of the US has a joint venture in Shanghai building a fleet of MD-80s.

UK accountancy firm forms US joint venture

By Gordon Cramb

COOPERS & LYBRAND, the accountancy firm, has formed a joint venture with the Kowin Group of Los Angeles offering consultancy services to European companies seeking to do business in China.

Mr Kevin Geary, a Coopers associate director, said in London yesterday the service would be aimed initially at small and medium-sized UK companies. It would provide contacts with potential Chinese industrial partners and remain as representative and tax adviser in any projects which develop.

The package is designed to break the administrative logjams which still beset many ventures in China as well as reduce the number of trips and executive secondments required.

According to Mr Geary, Coopers has at the same time been granted approval to open an office in Peking. This is in addition to its Shanghai base, in existence since 1979, and offices in the Shenzhen and Guangzhou.

Kowin, a property developer, has expanded into financial and trade consultancy through Kowin China Investments, which opened a London office in 1984. Kowin is also the overseas partner in the year-old Golden Flower Hotel in Xian.

Mr Geary said the new venture would aim to highlight the pitfalls as much as the prospects for potential investors in China. "We could be just as likely to say 'don't' as 'do.'"

Japan promises aid to cut China trade deficit

By Robert Thomson in Peking

JAPANESE economic assistance programmes in China are to be expanded in an attempt to overcome a $5bn (£3.4bn) bilateral trade surplus that has affected relations between the two countries and become a sensitive political issue in China.

At a four day meeting of Chinese and Japanese trade officials, which ended at the weekend Japanese delegates agreed to help China develop its exports by assisting the development of its export bases, increases in exchanges of experts, conducting market research and organising exhibitions of Chinese products in Japan.

The Chinese called on Japan to open its market further to Chinese products, to reduce tariffs, and to increase import quotas as part of a surplus reducing package. They also asked for an easing of animal and plant quarantine restrictions.

The 163-member Japanese delegation, comprising industry and government representatives, was the largest to visit China.

Zhao Ziyang, the Chinese premier, told the Japanese that the trade imbalance was worsening and required the "serious attention" of both governments.

Mr Ryoichi Kawai, acting head of the Japan-China trade association, who headed the Japanese delegation, told Premier Zhao that "we will try our best to settle the problem," but also hoped that China would improve its investment environment.

Yugoslavia offers talks on investment guarantees

BY ALEXANDER LEBL IN CAVTAT

THE NEW Yugoslav government is willing to review the possibility of agreements with the US Administration on the protection of intellectual property, investment guarantees and avoidance of double taxation, Mr Milos Milosavljevic Yugoslav vice premier said yesterday.

The US Administration is trying to revise the Generalised System of Preferences (GSP) and Yugoslavia risks losing its privileged status if a solution to some of those issues was not found. Speaking at a meeting of US and Yugoslav businessmen, Mr Milosavljevic suggested that US measures to limit imports of textiles and steel products should not be applied to countries whose share in overall US imports is small, and particularly not to developing countries with which the US has a trade surplus, like Yugoslavia.

Mr Michael Armacost, the US Undersecretary of State for Political Affairs, speaking at the Cavtat meeting, invited Yugoslavia to take part in the new round of trade negotiations in the Gatt and advocated consultations as preparations for the new round proceed.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

British design treads a delicate line on Third Avenue

William Dawkins revisits Osborne & Little

DO SLOANE Rangers exist in New York?

Osborne & Little, the wallpaper and fabric designer quoted on London's Unlisted Securities Market, will discover the answer to that question tomorrow. For that is when the group, which in recent years has become a household name among the upmarket British middle classes, is to open a showroom in the fashionable heart of Manhattan, its first independent presence in the US. This is the biggest step in Osborne & Little's development since achieving a flotation early last year.

Since its last appearance on this page on January 8 1985, the company has seen sales rise from £1.7m to £2.6m in the six months to last September, with taxable profits up from £241,000 to £404,000 over the same period. Its full-year results, due out a week today are expected to show another strong profits increase.

Luckily for Osborne & Little, its arrival in Third Avenue's Decoration and Design Building—home to 146 design ventures—is not a complete leap in the dark. Some of its products have been distributed in the US for the past 16 years through independent interior furnishing companies like Clarence House, Brunschwig & Fils and Roger Arlington. They accounted for £340,000 or 8 per cent of group sales in the year to March 1985.

So the group can at least be sure that there is a market in the U.S. for its uncompromisingly British designs. Yet in planning how to take over its own US sales and marketing, Osborne & Little has had to tackle several potentially thorny issues of interest to anybody trying to follow the same route. They include how to set up an independent operation without antagonising existing loyal distributors, and the need to accept the considerable costs involved in competing with a large number of rivals without impairing the qualities that make Osborne & Little attractive to US consumers in the first place.

The reason why Osborne & Little has spent $300,000—the equivalent of six months' attributable group profits—on going independent in the US is compelling enough. It will be able to sell at the same prices or cheaper than its US distributors and still make an 85 per cent gross profit margin, well above the 60 per cent margin on UK sales.

That is because—in line with most US design companies—Osborne & Little will sell direct to the trade, mainly contract designers working for well-to-do domestic customers like Wall Street bankers rather than to retail customers. "The mark-ups are enormous," says Sir Peter Osborne, group chairman. But so are the costs of starting up; and the heaviest burdens fall in unexpected areas.

The US operation with its six staff is led by Dick Johann,

PROGRESS REPORT

who was president of Greeff Fabrics, an up-market US furnishing fabrics group, until shortly after its takeover by Gulf & Western Industries, the New York-based conglomerate. Johann was introduced to Sir Peter through a British trade contact in April last year and roped in a Greeff colleague, John Englert, as US administrative manager.

The pair approached the project with all the romance of an independent start-up, fitting their office and warehouse near New York in Stamford, Connecticut, with cheap offcuts from a carpet ordered by IBM, bidding for office furniture from a failed chemicals company and wangling storage racks from the tail end of somebody else's production run.

But unlike a start-up, they also had a certain amount of preaching for their backers. Initially, the British company was considering following conventional good housekeeping practice of keeping US stocks as low as possible to keep to a minimum the amount of cash tied up in unsold goods. One option was even to carry no stock, but to airfreight orders from London.

Anthony Little (left) and Sir Peter Osborne: at pains not to offend existing US distributors

Johann argued that on the contrary it was important to keep stock in the US—and keep it high. It was critical, he maintained, to be able to guarantee fast delivery in a market that holds service at even more of a premium than is the case in Britain.

"There was a little resistance," he recalls. But Sir Peter eventually accepted Johann's message so that the Stamford warehouse now carries wallpaper, fabrics and pattern books valued at $125,000 — all hanging on the outcome of tomorrow's launch and a lot for a business that expects to turn over just above $1m in its first year.

"The last thing that this country wants is yet another wallpaper firm that is going to make a lot of promises and not deliver," says Johann. Says Sir Peter: "I decided that it would not have given the US operation a fair chance to do it the other way."

Moreover, it is probably easier for US wallpaper buyers to go elsewhere than their British counterparts. Johann believes that Osborne & Little has roughly 250 competitors, all crowding into a static market worth less than $500m annually.

"For us to be successful, we have to take a piece of that pie from someone else and we can't do that unless we can deliver as efficiently as the local guys," says Johann. "The fact that it is British does not mean a hill of beans when it comes to servicing accounts."

Although Osborne & Little will from tomorrow be selling its products in the US as if they were made locally rather than in its factory in south London, the designs themselves will be just the same as those available in its main showroom in London's King's Road. The New York showroom will, however, for the time being, only have 80 per cent of the full range, the main cost of the group's decision (unprompted by its US partners) not to alienate existing US distributors by taking all their Osborne & Little business in one swipe.

The New York showroom gets all new lines plus the ones not being used by US distributors, who are now expected to wind down their Osborne & Little sales gradually unless they want to stick with what they have got. "Of course, there will be some confusion," admits Johann. "There is no question about it. But we just couldn't see any sense in making enemies." There was even less sense in offending distributors, he adds, in a market where a company's public image depends almost as much on trade gossip as on advertising.

Everything now depends on what the US public thinks of Osborne & Little's new designs. Sir Peter estimates that the operation will have to sell $1m at trade prices in the first year to make a nominal profit. That is just $340,000 at factory gate prices; and on that basis, Osborne & Little sold $510,000 through US distributors last year.

"There is a strong possibility," says Sir Peter, "that in three to four years' time, we will be making more in America than we do here." Not that he is over-confident. Sir Peter has taken the precaution of building three-year break clauses into all US contracts, so that if everything should turn sour the group can pull out in 1989 without any on-going costs. "That gives me a tremendous feeling of security," he says.

Value Added Tax

A new perspective on an old bogy

The method of collection can be more important than the rate, argues Graham Bannock

THE Chancellor of the Exchequer recently announced an increase in the turnover level at which firms and individuals in the UK are obliged to register for VAT from £19,500 to £20,500, roughly in line with inflation. This is now a routine measure; the threshold has been raised every year since 1979.

Collection of VAT by and from very small businesses is widely agreed to be a nuisance for government and business alike. Recognition of this fact came only last month with proposals in the Department of Employment's White Paper on deregulation for a major review of VAT policy towards small companies.

Britain is not alone. Several European countries have found ways of reducing the administrative burden imposed on their entrepreneurs by VAT, while some non-European governments have even considered other kinds of sales-based taxes.

VAT has provoked opposition, especially among small businesses, ever since its introduction. Discontent has been particularly strong in Britain, perhaps because it is one of the few countries in Europe without schemes to alleviate the burden of VAT for smaller traders. The experiences of those who have found ways to soften the impact of VAT could well be useful to small business groups seeking tax reform in the UK following the announcements in last month's White Paper.

Businesses do not bear VAT but they do have to collect it from customers, reclaim it from suppliers and pay the net amount to Customs and Excise while maintaining adequate records which are liable to inspection by the authorities at any time. The tax is so complicated that it often creates hassle with customers and there is the anxiety that an inspection will reveal that costly mistakes have been made.

Britain's smallest 1m businesses, comprising 76 per cent of those registered for VAT, together accounted for only 6.7 per cent of VAT revenue in 1983-84, while the largest 6,000 firms, a mere 0.4 per cent of the total, accounted for 61.5 per cent. It has been shown that the cost to traders and the authorities of collecting and administering VAT exceeds the revenue obtained for about 70 per cent of all registered traders — and they tend to be the smallest ones.

The problem with the VAT is that its impact spreads well beyond the people who actually pay the tax, the consumers. Not only do retailers and other firms dealing directly with the public have to be involved, but also many hundreds of thousands of producers, manufacturers and service businesses.

This is why both Canada and the US have now moved on to consider other kinds of sales-based taxes as alternatives to VAT. One suggestion in the US is a Business Transfer Tax which would apply only to businesses with a turnover of more than $10m. Australia, meanwhile, has rejected VAT in favour of a comprehensive sales tax which, in effect, is what has been proposed in the UK by the National Federation for Self Employed and Small Businesses. The Federation wants to scrap VAT on transactions between registered traders. The Forum of Private Businesses would like to see the VAT threshold raised to £100,000, which is a more drastic change to the existing system than any other body has suggested.

Replacing VAT with a simple sales tax or raising the threshold still further in the UK would, however, require the agreement of other member states in the EEC. This is unlikely to be forthcoming for some years yet. Indeed Spain and Portugal are only now struggling to introduce the present system.

Those against raising the threshold point out that not only would it be a step away from fiscal harmonisation in Europe, but also that it does not automatically lead to a reduction either in the burdens on business or in the number of traders with which Customs and Excise has to deal.

When the threshold goes through its regular annual increases, it is in the interests of many firms that newly qualify for exemption to opt in voluntarily so that they can continue to reclaim their input taxes.

Revealingly, only one fifth of UK businesses eligible to deregister actually did so when the threshold was put up in 1977-78, the only year for which deregistration figures are available.

The existence of any threshold (and five EEC member states do not have one at all) can also create competitive distortions between registered and non-registered businesses. An exempt sole trader, like a plumber, whose VAT input taxes are slight will have a 15 per cent price advantage over a registered competitor. That is why the Confederation of Building Employers has argued for a reduction in the VAT threshold to £10,000. This, it argued, would help its members meet unfair competition from the black economy.

Curiously, there is little evidence that small firms in other EEC member states regard VAT as the heavy burden that their UK counterparts do, even though Britain has a lighter threshold than most.

A recent study of West German businesses, for instance, shows great and apparent growing concern about the cumulative burden of Federal and local legislation, but VAT was not singled out for special mention and was clearly regarded as a minor problem. Certainly, West Germans have had longer to get used to VAT because it was introduced five years earlier there than in Britain and was preceded by a turnover tax which also affected virtually all businesses. Yet the greater acceptability of the VAT burden in other EEC states may owe something to the use of different methods of easing the burden other than through trying to lift the registration threshold.

West Germany, for example, allows some kind of small businesses to pay VAT as a flat rate so that book-keeping is simplified. A similar scheme was proposed last week by the British Department of Employment. Another scheme in West Germany leaves the book-keeping work unchanged, but allows small traders to retain a tapering percentage of the tax depending upon turnover. This provides small businessmen with some compensation for the cost of collecting VAT. Another feature of the German VAT system is that is is administered by the same branch of government as income tax, which helps to reduce red tape.

Similar concessions are available in most other European countries, with the notable exceptions of Britain and Denmark. But hope could be on the way. The European Commission has recently announced proposals for harmonising VAT systems within the community. This provides an opportunity for implementing a common solution to the small business problem. It could also pave the way for the more radical reform that is inevitable as Europe accepts the continuing need to unshackle small-scale enterprise.

The author is chairman of Graham Bannock and Partners, a research consultancy, which has recently carried out a study of VAT in Europe for the US National Federation of Independent Business and the Canadian Federation of Independent Business.

THE GOVERNMENT should endeavour to complete its review of VAT policy much faster than by mid-1987, the date proposed in the recent deregulation White Paper, says the Association of British Chambers of Commerce.

"We fear that many firms could have serious cash flow problems by then because of the new system of civil penalties and defaults surcharges," warns the association in its response to the paper "Building businesses . . . not barriers." The group, which represents 85 chambers of commerce, welcomes the idea of a cash accounting system for VAT, but complains that in other respects, Lord Young's paper contains "little to promote the enterprise culture both we and the Government want."

It does offer some useful proposals, "but many of the measures are minor," says the association. Apart from pressing for a "much speedier" review of VAT, the group will also be pressing for a revision of the "draconian penalties" for businesses which accidentally fall foul of Statutory Sick Pay rules.

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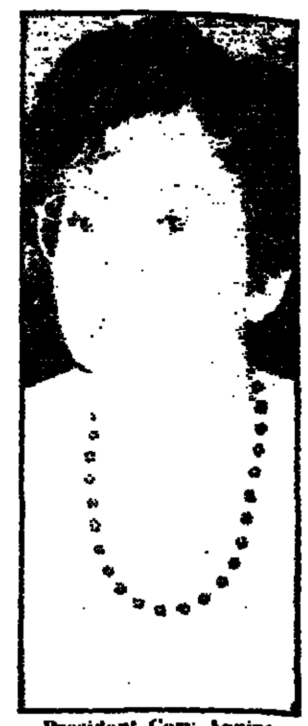

President Cory Aquino

US STATE Department officials spend a good deal of their time at the moment pretending that all is well between the US and the Philippines. They point to a string of visits by senior American officials to Manila, repeated assurances of friendship by the White House and a hurriedly prepared package of economic assistance as signs of good faith.

Mr George Shultz, the US Secretary of State, is to take the unusual step of devoting an entire speech shortly to reassuring President Corazon Aquino that the administration is at least as keen on her government as it was on the regime deposed in a military-backed revolution three months ago.

But doubts persist. They were most recently expressed by Mrs Aquino herself who asked somewhat testily in an interview: "What are they (the US) waiting for? Do they think I am anti-American or something?"

Mrs Aquino was echoing the growing frustration of her officials and the confusion among her supporters abroad who find it puzzling that the US only half-heartedly supports a government which it helped instal in the first place.

Compared to President Ronald Reagan's enthusiastic backing for the Nicaraguan Contras, for example, the reservation in his support for Mrs Aquino has struck many Filipinos as odd.

Unfavourable comparisons are also being made between the $605m aid to the Philippines this year—only $105m of which is new money—and the greater sums allocated by the US to the military regime in Pakistan.

Pleas of economic stringency from an administration which has presided over the biggest explosion in the budget deficit in history do not go down well in Manila.

The questions being asked about President Reagan's Philippines policy—especially by the US Democrats—are underscored by the belief that nowhere in the world are the stakes higher for US prestige and strategic interests than in the Philippines.

The two major American military bases there provide an essential link in US global reach and are probably impossible to replace. Washington would appear to have every interest in reinforcing Mrs Aquino against the twin threats of economic collapse and the Communist insurgency, but is moving with surprising stealth.

On a broader level, what is also at stake, in the view of some administration critics, is the reliability of US support for democratic regimes in the developing world which have a nationalist tinge, as opposed to autocracies with a poor human rights record but an unblemished pro-American stand.

There appear to be three probable explanations to the attitude of the Reagan administration and the disappointment felt in Manila.

The first is a question of unrealistic expectations on the part of Mrs Aquino and her government. There is a touching naivety about the belief in Manila that Mrs Aquino's extraordinary seizure of power would lead to other miracles.

Portrayed as a Joan of Arc by her supporters, she and those around her believed that the rest of the world would capitulate before the "people power" which swept away Mr Ferdinand Marcos. Banks would automatically reschedule the country's debts, the IMF would suddenly become lenient, Swiss courts would sacrifice banking secrecy to hand over the Marcos assets and the US would come up with a mini-Marshall Plan to bale out the Philippines. Said one US official: "Reality is proving a little different."

The second reason for the disenchantment is a concern both in the State Department and the White House that Mrs Aquino's government is still far from stable.

The infighting between the various factions within her administration—described by one official as "a coalition of mutual self-interest"—has worried the US. Three months after taking office, albeit in a rush, Mrs Aquino's cabinet has yet to come forward with a coherent approach.

This concern is linked to the suspicion among some US officials—especially in the White House—that a few of Mrs Aquino's advisers are uncomfortably radical and may not in the long run have US interests at heart. Repudiation of foreign debt, hostility towards multi-nationals and an over-eagerness to come to terms with the Communists are cited as reasons for concern.

Mrs Aquino still has a solid body of support within the administration and especially the State Department where a number of senior officials have what can only be described as a strong, emotional commitment to her success. It was Mr Shultz, in fact, who over a period of a year, marshalled what one former administration official described as a "subtle conspiracy of support" to oust Mr Marcos and persuade the reluctant President Reagan that his old friend had to go.

If some mandarins are playing it safe, the mood in the White House, according to some observers, resembles the morning after the night before.

Mr Reagan is portrayed as a man deeply afflicted by remorse at having given an old friend who was irreproachably loyal his marching orders. He had to be persuaded, according to one Washington observer, not to visit the deposed leader and his wife during a recent stop-over in Hawaii. Instead President Reagan telephoned Mr Marcos, a courageous act of personal loyalty according to some, a gratuitous insult to the Aquino government according to others.

Beyond his personal feelings lie Mr Reagan's instinctive suspicion of revolutionary regimes. He is said to be haunted by other occasions when America encouraged the departure of right wing, pro-US autocracies which were later replaced by virulently anti-American regimes as happened in Vietnam, Iran and Nicaragua.

Mr Reagan may have acted entirely in character in intervening militarily in Grenada, Lebanon and Libya, but his participation in what the American right views as a military-backed left wing coup in the Philippines has left many of his admirers speechless.

"If this intervention in Manila," said one right-wing critic of the administration's policy, "was eventually to lead to another Communist takeover, the debate which has split American society since Vietnam would re-emerge with a vengeance."

Viewed from Manila, where Mrs Aquino maintains she is making slow but steady progress, this kind of judgment seems a little harsh.

In theory, US support for her government is a bipartisan affair. In practice, it is the party out of power—the Democrats—which backs her enthusiastically while the ruling Republican party supports her with considerable reservations.

Mr Reagan is turning out to be a reluctant suitor. Mrs Aquino's challenge in the months ahead is to persuade him that he made the right choice after all.

Legal Notice

NATIONAL UNION OF MINEWORKERS ("NUM")

NOTICE IS HEREBY GIVEN that by an Order of the High Court of Justice made on the 22nd May 1986 Mr Michael John Arnold ("the Receiver"), as Receiver of the income assets property and effects of the NUM was given liberty to inform any persons firms or companies who have since 30th November 1984 supplied money goods or services to the NUM without the authority of the Receiver that the debts or liabilities outstanding are not debts or liabilities of the NUM capable of being discharged or satisfied out of the funds of the NUM now or in the future unless the Court otherwise orders upon application to the Court by such persons firms or companies prior to 30th June 1986.
Dated this 30th day of May 1986.
M. J. Arnold,
Receiver of the Income assets property and effects of the National Union of Mineworkers,
Rolls House,
7 Rolls Buildings,
Fetter Lane,
London
EC4A 1NH.

H. L. BOWN AND SON LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act 1985 that a Meeting of the Creditors of H. L. BOWN AND SON LIMITED, will be held at the offices of Leonard Curtis & Partners, 3rd Floor, Peter House, Oxford Street, Manchester M1 5AB on Wednesday the 11th day of June 1986 at 12.00 o'clock noon, for the purposes provided for in Section 589 and 590
DATED this 21st day of May 1986
H. L. BOWN
Director

ADDA COMPUTERS LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985 that a Meeting of the creditors of the above named Company will be held at the offices of LEONARD CURTIS & CO., situated at 30 Eastbourne Terrace (2nd Floor), London W2 6LF on Monday the 9th day of June 1986 at 12.00 o'clock midday, for the purposes provided for in Sections 589 and 590.
Dated the 23rd day of May 1986
D. H. WHITEHEAD
Director

Company Notices

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LEVERAGED CAPITAL HOLDINGS N.V.
Curaçao, Netherlands Antilles

Notice of Annual General Meeting of Shareholders

Notice is hereby given that an Annual General Meeting of Shareholders of Leveraged Capital Holdings N.V. has been called by the Manager, Intimis Management Company N.V.
The Meeting will take place at the offices of the Company, John B. Gorsiraweg 6, Willemstad, Curaçao, Netherlands Antilles on 28th June, 1986 at 10.00 a.m.

The Agenda, the Annual Report for 1985 and further details may be obtained from the offices of the Company or from the Paying Agent mentioned hereunder.
Shareholders will be admitted to the meeting on presentation of their certificates or of vouchers, which may be obtained from the Paying Agent against delivery of certificates on or before 18th June, 1986.

Willemstad, 3rd June, 1986.
INTIMIS MANAGEMENT COMPANY N.V.

Paying Agent:
Pierson, Heldring & Pierson N.V.
Herengracht 214
Amsterdam

aac

ANGLO AMERICAN INVESTMENT TRUST LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 05/08081/06

Preference Dividend No. 63

Dividend No. 63 of three per cent, equivalent to six cents per share, in respect of the six months ending June 30, 1986, has been declared payable on Friday, August 15, 1986 to holders of the six per cent cumulative preference stock registered in the books of the company at the close of business on Friday, June 27, 1986.
The preference share transfer registers and registers of preference shareholders will be closed from Saturday, June 28, 1986 to Saturday, July 12, 1986, both days inclusive, and warrants dated Friday, August 15, 1986 will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about Friday August 8, 1986. Registered preference stockholders paid from the United Kingdom will receive the United Kingdom currency equivalent on Monday, June 30, 1986 of the rand value of their dividends (less appropriate taxes). Any such preference stockholders may, however, elect to be paid in South African currency, provided that the request is received at the offices of the company's transfer secretaries on or before Friday, June 27, 1986.
The effective rate of non-resident shareholders' tax is 14.8417 per cent.
The dividend is payable subject to conditions which can be inspected at the Johannesburg and London offices of the company and at the offices of the company's transfer secretaries, Consolidated Share Registrars Limited, 1st Floor, Edura, 40 Commissioner Street, Johannesburg 2001 (P.O. Box 61051, Marshalltown 2107) and Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per T. S. JOHNSON
Divisional Secretary

Head Office:
44 Main Street
Johannesburg 2001
June 3, 1986

London Office:
40 Holborn Viaduct
London EC1P 1AJ

TECHNOLOGY

The vital three miles on Hoover's road to recovery

IN PLACE of the dull thumps, and rhythmic fizzings and hissings of robots which are increasingly heard in other European domestic appliance factories, the new noise heard rising through the banging of the presses and routine factory clatter at Hoover's works in South Wales is the shrill clinking of the thousands of rollers in its automated conveyor network.

Installed by Dexion, the storage and materials handling group, in two weeks last summer, the £2m system stretches for almost three miles in a roller-coaster progression through the dark upper reaches of the factory down to the dispatch bays.

It is the first and most vital element in Hoover's £10m Phoenix recovery plan. Phoenix, which should be in full flight by March next year, involves a revision of many of the company's manufacturing practices.

The project is being fully supported by the company's owner, Chicago Pacific of the US, a private shell company built on the cash assets of bankrupt railroads. It is determined to become an international force with a range of domestic appliances bearing the renowned Hoover name. At present its main strength lies in vacuum cleaners.

The changes, announced 18 months ago, followed a heartbreaking period for the community in Merthyr Tydfil during which the company had slashed its workforce to less than half the 5,000-odd employed in the late 1970s. Phoenix became necessary because the forces responsible for those redundancies had proved relentless. The workforce has shrunk by a further 400 since last year.

Although Hoover is still a power in the UK washing machine market, sharing leadership with GEC's Hotpoint, retail prices have not increased in real terms for five years, says John Cheal, the associate director who runs the Merthyr operation. The home market is stagnant, with an estimated 95 per cent of households equipped with a machine of some sort. Export sales have faded badly, and energy and material costs have continued to rise.

The company has made up some ground since 1981, when Hoover UK — which includes its Scottish vacuum cleaner works — lost £31m before tax. Pre-tax profits of £6.5m in 1983 almost doubled to £11.9m in 1984, and the company is understood to have maintained this performance during 1985.

Conceived and designed in outline entirely by the local management, the Dexion network has been plugged into the production process at the stage where the bulkier major parts of the appliance are brought together in kits. At present men hand-feed two lines, bar-coding the kits as they are loaded.

Gough elevators raise the kits 20 ft to a junction which leads them through into the next building housing a 4,000-capacity kit store and the assembly lines. Lasers read the bar codes, directing the kits to suitable storage lanes. Computers constantly monitor numbers and positions.

The codes are read again as machines move off into the correct "buffer" lanes on the assembly lines proper. The message goes back and another kit trundles up into the main storage section, ensuring that work is never held up, as in the past when lack of co-ordination in the sub-assembly section could bring the old assembly lines to a standstill. Should the main kit storage system break down, the buffer lines each hold 22 kits—enough for one hour's assembly work—which would normally give engineers time to complete repairs without stopping production.

Assembly shows the system's benefits at their best. Hoover machines used to be put together on three long lines, each stretching 750 feet down the length of the factory, each manned by 200 workers and each interrupted by four quality control centres.

Now the building contains 14 assembly lines, installed crosswise, each 150 ft long, and manned by 25 operatives. The new methods have increased flexibility enormously, says Mr Cheal. From having the capacity to produce just three models, with enormous hassles should a switch be required, Hoover can now make 14 and change rapidly. Since the company has 80 variations on its basic automatic washing machine alone, the benefits are obvious.

Each line has its own point-of-use store for smaller parts, replacing the old centralised system. A line feeder is responsible for ensuring that no work station runs out of components.

The shorter lines also make supervision easier, and the workers can communicate with one another more readily in the compact space. Each group has its own small amenity area for breaks. Mr Graham Davies, works manager, says this has led to the development of something resembling informal Japanese-style quality circles. The tendency has been encouraged by management.

Revival of the Fittest

In the second article in this series, Christopher Parkes looks at the automated conveyor network which lies at the heart of a £10m drive by one of Britain's leading domestic appliance makers to improve its manufacturing efficiency.

Now that the main checking stations have gone, each worker is responsible for his or her own quality control. The number of machines rejected and returned for repair or improvement has fallen by 10 to 20 per cent, Mr Davies says. The repair bays which used to clutter up the end of the line have disappeared as the company moves towards what Mr Cheal calls "first-time quality."

Completed machines roll steadily off, directly into trucks for immediate dispatch to the company's two distribution centres.

The company has already greatly reduced the labour force in assembly alone. For those remaining, Mr Cheal says the longer working cycle has produced greater job satisfaction.

On the long lines the average work cycle was less than a minute. Now it is nearer three, with each operative doing several tasks on each machine. However, this has tended to compound the problems arising from sickness or absenteeism. The use of a computerised clocking-in system and data capture to help supervisors keep track is useful, but the company is still having difficulties.

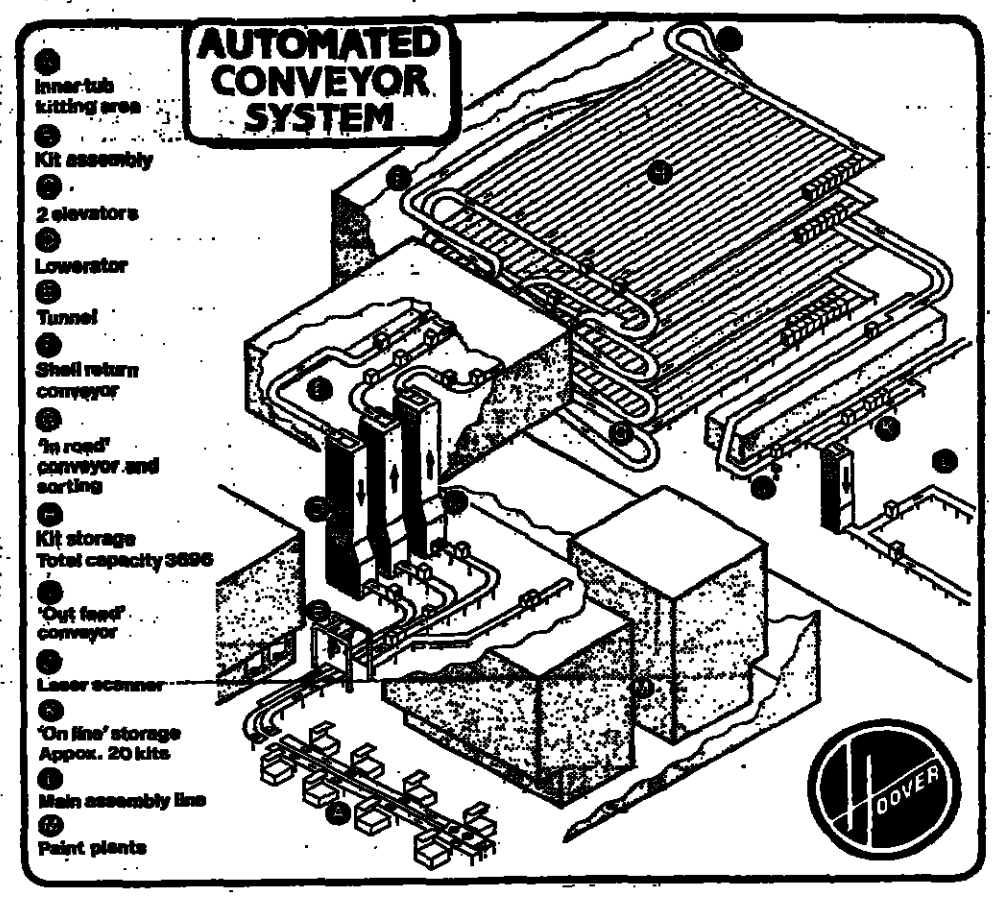
The management is working on a training system to build a reserve of these key people elsewhere in the works. However, this may be costly, since they will probably need a six-week course.

Hoover is now pressing on with the rest of Phoenix. Some parts of the factory look like a cross between a junk yard and a building site, but the ultimate shape is clear enough.

The company has elected to stick with its basic manufacturing culture. Only the methods are changing. While many in the industry are tending to buy-in a large proportion of their parts, Hoover will continue to make and prepare most on site.

Dumper trucks pour concrete into new foundations for an area where the scattered heavy presses will be clumped together. Half-a-dozen new Negroni Bossi plastics moulding machines stand ready for installation. One man is needed to run these compared with the three or four who handle the present contingent of 20 older machines.

Having looked at buying-in pre-painted steel for the machine shells, the company has instead rebuilt its paint shop. It is reworking its enamelling section, bringing die-casting and machining into the same area and introducing automatic welding machines.



Hoover has taken a strictly pragmatic view of factory automation. "We will not go in for robotics simply for the sake of it," says Mr John Power, engineering manager. Indeed, he boasts, the plant's sole robot has been made redundant. The use of zinc plated steel has obviated the need for the machine, installed originally to paint the inside of cabinets.

However, the company does see useful applications for higher technology. An eight-spindle numerically controlled machining centre is on its way, automated guided vehicles are being considered and the company is being given government help with a search for robotics suitable for sub-assembly work.

Productivity is already up. The amount of time needed to make a washing machine has been reduced by a third since 1982. Labour costs have been cut by a similar proportion. But more is demanded. The teams responsible for preparing the bundles of wiring which wreath the innards of domestic appliances are already aware that development work on built-in circuitry is well advanced.

Management claims that improvements so far are already protecting jobs, cut little ice with the unions, Bill Bish, works convenor, wonders how much more is to come. Insecurity haunts the factory, he says. A jolly enough man himself, he claims the uncertainty which started when management first confronted the workforce with its problems in 1978, has driven all good humour out of the place.

"We have done everything the management asked of us and the business has still contracted," says Ernie, his brother-cum-deputy. "We are practically Japanese here except we don't sing a little song and do PT in the car park," adds Bill.

They and their remaining colleagues have accepted change and will accept more in the factory. But they look questioningly towards the heavily-staffed Perivale headquarters near London, home to the marketing and sales men who, they feel, now owe it to Merthyr to play their part.

● The first article of this series, which looked at Swatch, the Swiss watchmaker, appeared on May 28.

Improved image for flight simulators

By Geoffrey Charlish

FLIGHT SIMULATORS have been taken a step forward by Rediffusion Simulation of Crawley in the UK (0293 28811), with a new computer generated image (CGI) system called SP-X. It was developed and produced jointly with Evans and Sutherland Computer Corporation in the US.

By making the system modular, the company is allowing its customers to choose the level of sophistication, and suit the price to the application.

For example, because the number of pixels (picture elements) affects both image reality and price, the customer can select just enough clarity to suit the training need and budget, knowing that the equipment can be upgraded at some later date.

ICL data link for shippers

TRADANET, the inter-company data communications network service run by International Computers (ICL) of the UK is to be used by a group of major shippers, freight forwarders and carriers to exchange shipping documentation electronically. A pilot trial starts later this year.

Participating carriers are CT, Cunard Brockelbank, Hapag Lloyd, Maersk Line and OCL. User companies include Ford, GEC, Glaxo, Guinness, ICI and Unilever.

Tradanet allows subscribers to exchange data from computer to computer, regardless of manufacturer or the communications protocols used. It uses the X25 packet switched networks and is available 24 hours a day. More on 01-788 7272.

TECHNOLOGY

Fresh approach to electronic assembly

BY PETER MARSH

FOUR UK companies are experimenting with a new approach to the assembly of printed circuit boards with equipment made by Ambotech, a company in Three Legged Cross, Dorset.

Ambotech, set up four years ago by a group of ex-Plessey engineers, is producing machines that will insert components such as semiconductor chips into the holes drilled for them in circuit boards in small batches of as few as 50 at a time.

Conventional automatic insertion mechanisms, which have featured for many years in the electronics industry, are normally used in long production runs to turn out up to several thousand identical boards.

The annual world market for automatic insertion equipment is put at about £500m. Virtually all the machines constitute high-volume equipment for long production runs, with individual mechanisms selling for up to £150,000.

Leading makers of automatic insertion machines include Dynapert, Universal Instruments and Amistar of the US and Panasonic and Fuki of Japan.

The Dorset company hopes its new machines, which sell for about £50,000, will appeal to customers which turn out small quantities of boards for a varied range of products.

Up to now, electronics companies which wanted to produce such boards have had little option but to employ people to insert the components by hand, a process which can be time consuming and expensive.

A second alternative is to use semi-automatic equipment, in which some of the assembly processes are automated. In such hardware, the person building up the circuit board may be guided as to which component to put in a particular spot by a beam of light or a written instruction on a screen.

Ambotech has sold its first series of machines to subsidiaries of Racal and Plessey and to Eurotherm, a maker of electronic controls in Worthing, Sussex. A fourth machine is with a manufacturer of telecommunications equipment which does not want to be named.

The equipment uses a combination of mechanical engineering and computer control which makes it relatively simple to alter the way that different types of electronic components are inserted. In this fashion, the Ambotech machine can be instructed in a straightforward way to switch between turning out different batches of boards.

The mechanism can insert 48 different types of integrated circuit and 160 types of axial components such as resistors. It inserts components at a rate of about 1,500 an hour, which compares with up to 10 times this number for the high-volume machines used for long production runs.

Ambotech is building a further batch of 10 machines for which the company has two orders. The Dorset concern, which has a workforce of about 30, plans future developments to turn out machines to make circuit boards using surface mounting rather than insertion.

Surface mountings has emerged in recent years as an increasingly useful way of assembling components. Rather than push components into holes, small mechanical hands on automatic hardware for surface mounting attach items such as resistors to the top of circuit boards using adhesive. The process is quicker than conventional insertion mounting and can be automated more easily.

Trinidad pumps gas into public transport

By Canute James, recently in Port of Spain, Trinidad

TRINIDAD and Tobago has launched pilot projects for the use of natural gas as a fuel for the islands' motor vehicles.

With proven reserves of natural gas totalling 55 trillion (million million) cubic feet and with consumption of only 717m cubic feet last year, the country has been searching for alternative uses for its excess gas capacity.

Government officials say that the use of natural gas in vehicles has several cost advantages over petrol, and that conversion of motor vehicle engines is simple. The project is aimed initially at fleet vehicles, including public transportation.

The vehicles are being fitted with gas cylinders in the boot and additional hoses in the engine to inject the gas, bypassing the carburettor. When the vehicle runs out of gas, the driver can change from gas-fired to petrol-fired combustion by flicking a switch.

Mr Patrick Manning, Trinidad and Tobago's energy minister, says the natural gas being used in the vehicles has a petrol equivalent cost of about 43 TT cents (12 US cents) per litre, just over half the cost of petrol in Trinidad.

He says advantages in the use of natural gas in motor vehicles include lower maintenance costs, less carbon formation in engines as gas is a clean fuel, and a reduction in the emission of pollutants by the vehicles.

The chief disadvantages include the need to store the gas in heavy, bulky cylinders," Mr Manning explains. "There is also a slight loss of acceleration power which has been observed at low speeds and on steep inclines."

As part of the project, the Government has built natural gas filling stations adjacent to petrol stations.

Mr Trevor Boopsingh, permanent secretary in the energy ministry, considers that the cost of building these extra filling stations would be a drawback for the use of gas-powered vehicles by large countries but not for small ones, such as Trinidad and Tobago.

Drilling platform in Trinidad: a country searching to make better use of its reserves of natural gas

"On an average, a cylinder of gas gives a vehicle a range of around 300 kilometers," Mr Boopsingh says. He explains that concerns about safety in using natural gas in motor vehicles has led to rigorous controls over the structure of cylniders and operations at filling stations.

In the pilot project, which will run for five years, 250 Government vehicles are being fitted with natural gas kits. The Government is not expecting more than 25 per cent of the vehicles in the country to convert to natural gas, but argues that the success of the project could have significant economic benefits for the country, despite the current low price of oil.

UK NEWS

CORNISH MINE DENIED CASH LIFELINE

Government refuses aid package for Geevor Tin

BY STEFAN WAGSTYL

GEEVOR Tin Mines, the Cornish company which was plunged into financial difficulties by the international tin crisis, yesterday lost its battle for government aid.

The company's board will almost certainly decide at a meeting today to close down, ending centuries of tin mining in west Cornwell. Mr Keith Wallis, the chairman, said yesterday: "I can see no alternative. This is the day that Geevor has a past and no future."

Most of Geevor's 358 workers have already been laid off since the beginning of April, when the mine ceased production and continued only with maintenance work.

In rejecting Geevor's request for grants towards a £25m package, Mr Peter Morrison, the Industry Minister, said the company's proposals "did not offer sufficiently robust prospects of commercial viability to justify financial assistance on the scale requested."

Instead, the Department of Trade and Industry (DTI) is to make an extra £1m available to west Cornwell under the Business Improvement Services schemes which offer grants to help small enterprises in high unemployment areas. West Cornwell already qualifies for regional aid.

But Mr Colin Griffin, Cornwell County Council's chief planning officer said: "There's no chance of new business starting up here. The decision is nothing short of disgusting." The male adult unemployment rate in the mine area is forecast to rise to 50 per cent.

Mr David Harris the Conservative MP for St Ives in Cornwall said: "This is the saddest day for west Cornwall this century."

Mr David Penhaligon, the Liberal MP for Truro, the county town, described the Government's plan to make £1m available in the area as "candy floss." He added: "It looks as if the door has been slammed shut and this is a quite devastating blow for Cornwall."

Mr Morrison said that the Geevor decision did not necessarily mean that an aid application from the Rio Tinto-Zinc natural resources group, on behalf of its three Cornish tin mines employing over 1,000, would also be rejectred. A decision on this application could be expected in five or six weeks.

Geevor's problems began when the International Tin Council, which organised an inter government price support pact, ran out of money in October. Prices collapsed from over £8,500 a tonne to £3,700 – far below Cornish production costs.

In an amendment to its original plan, Geevor had proposed raising £2.5m in a rights issue, but this was clearly too small a contribution in the DTI's view.

Post union prepares for strike ballots

By Our Labour Correspondent

TALKS AIMED at removing the threat of a national postal strike began yesterday as the number of letters held up by the growing dispute in the north of England passed the 10m mark.

Leaders of the Union of Communication Workers (UCW) agreed to accept the invitation of Sir Ronald Dearing, Post Office chairman, to attend what were described as preliminary negotiations on the dispute over revised work schedules for sorters.

At the same time however, the union decided to press ahead with ballots on official strikes at 11 sorting offices earmarked for the schedules. Disruption at these offices could rapidly affect the entire postal network.

The Post Office has made clear that there is no question of amending the work schedules. The introduction of these at Leeds, Yorkshire, last month, precipitated the spreading industrial action.

By yesterday, the Post Office reported about 5,000 staff either on strike or suspended from duty at about 20 sorting offices in Yorkshire. Some 3,000 public mail boxes were sealed and more than 10m items of mail delayed – half in Yorkshire itself and half elsewhere, awaiting delivery there.

UCW members at several sorting offices in Lancashire, including Preston and Blackburn, were said to be planning 24-hour sympathy strikes today, although similar action at Oldham, Greater Manchester, has ended.

The revised work schedules are devised to save £60m a year – a saving the Post Office says would be wiped out at a stroke if it conceded the union's claim

HATTERSLEY QUESTIONS LAWSON'S PROPOSALS

Profit-sharing scheme attacked

BY GEORGE GRAHAM

THE GOVERNMENT'S plans to encourage workers to link a proportion of their pay to their companies' profits came under attack yesterday from Mr Roy Hattersley, Labour's deputy leader and economics spokesman.

Further doubts were cast on the practicability of the Government's proposals by Professor James Meade of Cambridge University. In a pamphlet published today, he gives a warning that profit-sharing arrangements could increase the division between those in work and the unemployed, the "insiders" and the "outsiders."

Mr Hattersley said he was wholly in favour of increasing workers' identification with their companies but he doubted that the Government's proposals, which he described as "on the employers' terms only," would achieve this.

He said that if workers were to share in the risks of an enterprise they would expect to take part in making strategic decisions on investment and production.

"Shareholders do not expect to shoulder financial risk without representation and neither do employees," Mr Hattersley said. "Real profit-sharing is far too close to socialism for the Chancellor of the Exchequer's taste."

The Government's preliminary proposals, heralded by Mr Nigel Lawson, the Chancellor, in his budget in March and later outlined in a paper to the National Economic Development Council suggest that 20 per cent of an employee's pay should be directly linked to profits.

Temporary tax relief might then be given on 10 per cent of the employee's total pay, including both the profit-linked and fixed elements. This would amount to a tax cut of about £5 a week for the average worker.

Prof Meade, winner of the Nobel Prize for economics, supports in his pamphlet the aim of encouraging an economy in which workers and employers share together in the risks and the rewards. He says, however, that serious questions of principle are raised that the Chancellor must take into account in his plans.

He questions whether employees would really want to become risk-takers along with entrepreneurial capitalists, or whether the majority would prefer a fixed wage. If they did accept additional risks, he says, they would inevitably wish to play their part in influencing their company's policies.

Prof Meade's own proposal is for a "discriminating labour-capital partnership," in which employees participate in company profits through labour share certificates, but new employees do not receive the same return as longer-term employees.

As a company becomes more profitable, new workers would receive fewer labour share certificates than the existing workers, just as new investors would expect to receive fewer shares for their money than the original shareholders.

"If you really move in a big way to a sharing economy, the workers have got to take risks like capitalists and to discriminate like capitalists," Prof Meade said yesterday.

Prof Meade argued that significant benefits for employment could be achieved by moving away from wholly fixed wages. He advocated experiments with a variety of sharing arrangements, including employee share ownership, profit-sharing, labour co-operatives and his own preferred solution, the discriminating labour-capital partnership.

Different forms of share economy, by James Meade, £4.30 from Public Policy Centre, 37 Golden Square, London W1R 4AL.

Balanced ticket 'Conservatives' best hope'

BY GEORGE GRAHAM

A BALANCED TICKET with some expansion of public spending offers a better general election strategy for the Conservative Party than a hard-line anti-inflation policy, according to London stockbroker Phillips & Drew.

The broker argues that changes in the unemployment rate have a far greater effect on the Conservatives' popularity than changes in inflation. A balanced ticket policy, which would give some stimulus to the economy through a weaker exchange rate and an expansion of the budget deficit, would still produce 4 to 5 per cent inflation. Phillips & Drew describes this, as "not bad", while leading to modestly lower unemployment.

A fall of 1 percentage point in inflation boosts the Government's share of the vote by little more than ½ percentage point, the broker concludes, after comparing the Conservatives' showing in opinion polls with the state of inflation and unemployment.

By contrast, a 1 percentage point fall in unemployment, equivalent to around 250,000 people, boosts the Conservatives' popularity by 3 percentage points.

Philips & Drew says that a strategy which attempts to deliver continued low inflation despite adverse unemployment consequences would be very difficult to sustain, since the higher interest rates that would be needed would increase the mortgage interest element in the Retail Price Index.

If the Government did opt for a strategy of keeping inflation down to 3 per cent, it would do best to hold a general election in the first quarter of 1987, Phillips & Drew says. Its vote in the opinion polls then would peak at around 38 per cent after recovering from its "mid-term blues" trough, before falling again below 37 per cent.

On a balanced ticket economic strategy, it would do better to delay the election until spring 1988, when its vote might have risen further towards 38.5 per cent.

The broker concludes that economic performance alone seems unlikely to lift the Government's popularity above the minimum required to secure an overall House of Commons majority at the next general election.

Al-Fayeds lose legal round over Ritz name

CHARLES OF THE RITZ, the cosmetics company, has won the latest round of its legal battle with the Al-Fayed brothers, owners of House of Fraser, the Harrods department store group, over the right to use the Ritz name, **Charles Batchelor writes.**

The French supreme court overturned an earlier appeal court ruling that Charles of the Ritz had infringed the commercial name of the Hotel Ritz companies owned by the Al-Fayeds.

The dispute between Charles of the Ritz, part of Squibb Corporation of the US, arose after the Al-Fayeds bought the Ritz Hotel in Paris in 1979 and filed a number of Ritz trademarks. The Al-Fayeds want to develop and franchise the Ritz name around the world.

According to a translation of the court judgment released by Charles of the Ritz yesterday the French Supreme Court last Tuesday reversed and cancelled the decision of the appeal court of Paris in March 1984.

The Supreme Court ruling put the matter back in the state it was in before the appeal court decision. The case now goes to another appeal court in Lyon, though Charles of the Ritz claimed yesterday the Lyon hearing was a formality.

□ SHELL is considering a substantial reduction in its fleet of 60 oil tankers, half of which fly the British flag. Unions were told yesterday that Shell has set aside £84m over two years for restructuring its fleet.

Fleet warning, Page 16

□ SWAN HUNTER, the warship yard, is expected to announce more than 1,000 redundancies today. The cuts were foreshadowed recently when the yard in the north-east of England lost a fight with the state-owned Harland and Wolff of Belfast for a contract to build a £120m navy supply ship. Last month British Shipbuilders announced job cuts of almost 3,5000.

□ INDUSTRY leaders will tell Sir Geoffrey Howe, Foreign Secretary, today that they support the Government's policy objectives on the European Community.

The Confederation of British Industry (CBI) will also take the opportunity to renew its plea that the Government take Britain fully into the European Monetary System.

The CBI recognises, however, that this would be a national decision rather than a matter for the presidency of the European Community which Britain assumes on July 1.

□ BARCLAYS BANK has completed formally its acquisition of de Zoete and Bevan, the stockbrokers, and Wedd Durlacher Mordaunt, the jobbing firm. The move has created a £250m subsidiary, Barclays de Zoete Wedd Holdings.

□ PROPOSALS for implementing the European Community's directive agianst "hard sell" doorstep sales were issued by the Department of Trade and Industry, "for public comment."

It is unlikely that any British legislation will come into force for the next two years. Government spokesmen pointed out that British law on consumer credit and protection was in many cases ahead of continental European law.

□ GOODMAN INTERNATIONAL, the Irish-based private company which claims to be Europe's largest meat processor and exporter, has strengthened its operations in the UK by acquiring Euroscot, the Scottish beef and lamb processors for an undisclosed sum.

Goodman, formerly known a Anglo Irish Beef Processors, recently restructured its operations into eight centralised divisions and renamed itself, partly with a view to building up a stronger UK base. Last year it took over five meat plants formerly owned by Dalgety.

Shah acts to boost 'struggling' Today

BY FIONA THOMPSON

MR EDDIE SHAH is to raise the cover price of Today, his ailing national daily newspaper, by 2p to 20p from next Monday. He will also launch a full-clour Sports Extra supplement in the Sunday paper from June 29 and a prize game, Scoop, in the autumn.

"We're struggling at the moment," Mr Shah told the National Federation of Retail Newsagents at their annual conference yesterday. But be denied that the moves were a sign of desperation. "There is no crisis," he said.

Mr Shah played down recent press reports of a boardroom battle at News (UK), publishers of Today. He said: "We were set up and shot at by Fleet Street" [Other national newspaper].

Today had teething problems "like any new business, but it is here to stay," he said.

Three of Today's leading corporate investors promised on Sunday continuing cash support for the newspaper and said that they backed Mr Shah fully. Trusthouse Forte, British and Commonwealth and Ivory and Sime account for two thirds of the shares.

Sir Richard Storey, chairman of Portsmouth and Sunderland newspaper, with about £500,000 invested, on Sunday refused to comment on future support for Today. But by yesterday the entire board had expressed "complete support in terms of cash for Eddie," said Mr Robert Triefus of Today's public relations agency, Biss Lancaster.

Mr Shah said there was no cash crisis. It was "a storm in a teacup, a cash flow problem, no one was paying their bills." This had now eased by payment of over £1m in advertising revenue last week.

He said he was looking at the future funding of the whole company but denied reports that he would need an extra £4m by September.

"There is no date on it," he said. "We as a company knew we might run into difficulties. The investors always knew that if at the start of the business it didn't hit its exact stride, which is hasn't done, there may be requests for extra funding.

Mr Shah scoffed at the suggestion that Fairfax, the Australian publishing group, was interested in buying into Today.

● Although Trusthouse Forte, British and Co mmonwealth and Ivory and Sime have all said that they will provide extra funds for Today if necessary, there has clearly been a serious debate on the board of News (UK) about the best way to structure such funding, **David Goodhart writes.**

Some directors believe that a major restructuring – between £2m and £4m – should be organied imminently to provide adequate funds for a relaunch and more promotional expenditure.

Eight bids expected for Thames tunnel contract

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

THE GOVERNMENT is expected to announce today that it has received eight bids in its competition to build a privately financed crossing of the river Thames at Dartford, east of London.

The new Dartford crossing project – there is an existing tolled tunnel at Dartford – is the first time that the Government has asked companies to compete for a contract to build a major road which they would finance themselves.

It is in line with the new approach of trying to use private finance for major infrastructural works. It follows the precedent set by the proposed Channel tunnel between England and France and, more conventionally, tolled crossings over estuaries.

Although the identities of the contractors competing to build the new Dartford crossing will be revealed today, the winner will not be announced until August. The only contractor which has disclosed its plans so far is John Mowlem, which yesterday announced a £230m scheme to build a road tunnel under the Thames at Dartford.

Mowlem plans to form a joint venture – called the Dartford Tunnel Group – with Volker Stevin UK, a subsidiary of Royal Volker Stevin of the Netherlands; consultants W. S. Atkins and Rijkswaterstaat of Utrecht; and bankers Morgan Grenfell.

Royal Volker Stevin is a market leader in the technique of submerged tube tunnel construction which the partners plan to employ. Precast reinforced concrete sections of tunnel would be lowered into a dredged trench in the river and joined to form the complete tunnel.

The Dartford Tunnel Group's financing is guaranteed by Barclays Bank, Deutsche Bank and the Industrial Bank of Japan.

The group's scheme would double the capacity of the present tunnel by adding an extra four lanes to the existing four-lane tunnel. It would ultimately be financed by toll revenues from the new and old tunnels, which the partners would buy out.

The new crossing is needed to cope with the increased traffic from the London orbital M25 motorway. The number of vehicles using the existing tunnel has increased from 12m to 22m in the last five years and is projected to reach more than 37m in 1990, when the Mowlem group's tunnel could be opened.

Study to map securities market before Big Bang

BY NICK BUNKER

TRANSACTIONS by more than 200 broking firms are to come under the microscope in a pioneering survey of Stock Exchange dealings in the UK.

Starting yesterday, the exchange has asked its members to co-operate in research aimed at yielding an in-depth picture of the securities market as it approaches October's Big Bang deregulatory reforms.

Stockbrokers will submit for confidential analysis every 50th stock transaction contract note issued over the next two months.

In-house Stock Exchange statisticians will use data on the contract note to chart features of the market such as its liquidity, the extent of competition, and the level of transaction costs.

To ease their task, they are asking member firms to add extra information on each transaction besides the nature and price of the security, and the name of the client, which already appear on the contract note.

Results are expected to be published in the autumn. A further survey will also be undertaken to examine the extent of price-spreads in the market.

Both surveys have been devised by a special quality of markets subcommittee set up by the Stock Exchange late last year. It believes such research is necessary in order to demonstrate the strengths and weaknesses of the UK's main securities market, and to evaluate the impact of deregulation.

UK NEWS

People Express seeks £66 transatlantic fare

BY LYNTON McLAIN

PEOPLE EXPRESS, the US airline group, has applied for a £66 single transatlantic fare to be available on a first-come first-served basis. This is £100 less than the airline's current cheapest fare.

The fare, if approved by the UK Civil Aviation Authority (CAA) is likely to be the lowest transatlantic fare for the imminent peak summer holiday period.

People Express started flights from London to New York three years ago last month with a lowest fare of £99 single.

The airline has also applied to double the commission it pays to travel agents on all transatlantic flights from 9 per cent to 18 per cent, a further reflection of the intense competition among airlines on the north Atlantic to win passengers. The higher commission would apply to travel from May 30 to September 14 inclusive.

People Express has carried more than 800,000 passengers since it started transatlantic services. "These larger commissions are our way of saying thank you to those travel agents who have supported us over the past three years and also of encouraging all agents to book their clients with us," Mr Timothy Burke, People Express manager for the UK and Belgium, said.

The proposed fare is from Gatwick, London, to Newark, New Jersey, and will be available to only the first 30 economy class passengers to apply for their tickets.

Merchant fleet warning

BY DAVID THOMAS, LABOUR STAFF

THE BRITISH merchant fleet could fall to fewer than 300 ships by the end of the decade, Mr Jim Slater, general secretary of the National Union of Seamen (NUS) warned yesterday.

Speaking to his union's conference in Liverpool, Mr Slater said that the UK registered fleet had been halved since 1979, when it stood at 1,300 ships. The number of British seamen had also fallen by a half in that time. "The collapse of British shipping could soon be irreversible," he said.

Mr Slater criticised the Government for following a free market for shipping, when most other governments supported their merchant fleets. "Unless the Government takes action, we could land up with a fleet of fewer than 300 ships, made up largely of ferries and coasters."

Ferries would also be under threat from the Channel tunnel project, he argued. Mr Slater called on the Government to create the conditions under which British and foreign shipping companies would want to sail under the British flag, which did not mean providing subsidies. "Where will the ships be when we need them?" he asked.

Demand may take off for extra London runway

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SIR JOHN DENT, retiring chairman of the Civil Aviation Authority (CAA), last week told ministers that they should start thinking now about the possible need to build another runway somewhere in the London airports system for use by the end of the century.

His warning may have come as a surprise to those who thought the long saga of London's airports had been ended with the decision to develop Stansted in Essex, north of London.

In his parting shot Sir John has made it clear to Government and public alike that this is not so.

Only one element of that saga – how to handle the rising volume of passengers – has been settled, at least for the immediate future, with the development of Stansted. Its capacity of about 1m passengers a year will rise to between 7m and 8m in the first phase, with the possibility of eventually going to 25m a year if necessary.

Last year there were 50m passengers at London's airports (mainly Heathrow, west of London, and Gatwick, south of London, with smaller numbers at Stansted and Luton in Bedfordshire. Forecasts show that the number is expected to reach between 54.5m and 66.5m by 1990 and between 74.1m and 118m by the year 2000.

The spread of the forecast indicates the difficulties of estimating future air traffic and, to be on the safe side, most planners take the upper limit.

To relate this estimate of passengers to the number of aircraft needed is even more difficult because passengers' preferences vary widely and can change over a period of time.

While airlines (and airport authorities) would like to cope with more people by using bigger aircraft, the passengers themselves prefer higher frequencies. Ten flights a day from London to Paris in 150-seaters is preferred to four flights a day in 440-seat Jumbo jets. No one sees that trend changing for short-haul flights, which account for the majority of all flights into and out of UK airports.

As a result, the CAA (which has responsibility for air traffic control in the UK) estimates that the number of aircraft movements will rise, generating demand for more runway capacity.

At present these movements are running at 286,000 a year at Heathrow, 151,200 a year at Gatwick and 14,300 a year at Stansted, the main airports involved. By the mid to late-1990s these are expected to have risen to about 310,000 at Heathrow and 175,000 at both Gatwick and Stansted.

Luton, with close to 58,000 movements a year and only one runway, will also increase, but by a comparatively small amount.

All these movements will be handled by the present number of runways – two at Heathrow, one each at Gatwick, Stansted and Luton – plus one new runway, the limited Stolport operation in London's Docklands.

Thus, runway availability will be limited. Moreover, the Government, in its Airports Bill now moving through Parliament, is taking reserve powers to enforce limits on aircraft movements at any London airport, if environmental pressures against noise and pollution dictate.

Suggestions that existing runways could cope with more landings and take offs are wrong. Even with substantially increased automation in air traffic control (already on the way), peak-hour landing and take-off rates cannot be sustained throughout the day. The pressures on controllers, ground staff and facilities in the terminals would be intolerable.

Even with the most highly automated air traffic control procedures, aircraft still need adequate separation margins in the sky for safety. These cannot be reduced to allow London's runways to handle more traffic per hour.

The pressures on the London airports in the mid to late 1990s could thus be severe. The British Airports Authority (BAA) would not have any alternative runways immediately available. It would be obliged to channel overspill traffic to other airports such as Southend, Bournemouth, and even further afield to Birmingham, Manchester, Bristol or Leeds/Bradford.

Because of the lengthy public planning processes in civil aviation development, it can take as much as 10 years, or even more, from initial conception of a terminal building or runway to its final entry into service.

On that basis, serious consideration of additional runway capacity should be started now despite the uncertainties involved in long-term aviation planning, according to the CAA. The BAA is believed broadly to agree, although it has made no public comment so far.

What worries the CAA is that the Government appears already to be going in the other direction, firmly setting itself against any second runway at Stansted (the only place where one could be built, since there is now no room at Heathrow, Gatwick or Luton).

The BAA, in the light of the Government's view, is already planning to relinquish land it had bought at Stansted in case any second runway should be needed. Once that land is gone, the chances of any second runway there would be as remote as at the other main airports.

Air Call begins subscription teletext service

By Jason Crisp

AIR CALL, the communications group, yesterday launched a subscription teletext and data service on the ITV transmitters that can be used as a nationwide private information system.

The service is expected to be used by banks, building societies, retailers and betting shops as it is a comparatively cheap way of transmitting information across the country almost instantly.

For example a clearing bank could broadcast exchange rates and share prices to all its branches in the country without having to use telephone links. Stock, price information and credit card details can be sent to retailers. The leading business information providers are also looking at it as a cheap way of extending their coverage in response to deregulation in the City of London in October.

Like Oracle and Ceefax, the public teletext services, the subscription service is broadcast on spare TV lines. The difference is that subscription teletext requires a special decoder which costs £500 to £550.

The Air Call service is a joint venture with Oracle, the public service, which owns 25 per cent. A similar service is being launched by BBC Enterprises, which is expected to announce its first contract in the next few days.

Businessmen urged to pursue reforms

BY PETER RIDDELL, POLITICAL EDITOR

BUSINESSMEN should become more directly involved in the public debate over policy, Mr Geoffrey Pattie, the Minister for Information Technology, urged yesterday.

Addressing a group of businessmen in west London, Mr Pattie took as his theme "The Privatisation of Politics." He said businessmen should involve themselves more directly as "freelance reformers" in policy formulation and campaigning, to offset the tendency for professional politicians to be absorbed by the massive machinery of the state with an inbuilt threat to the momentum of reform.

Mr Pattie said that businessmen could help politicians by acting directly in the realm of policy and ideas, instead of diverting their efforts in the main towards influencing government.

UK NEWS

Britain plans for further decade in space

BY PETER MARSH

MINISTERS will next month be asked to consider a new plan for Britain's activities in space, taking in the next 10 years. It is likely to involve an increase of as much as 50 per cent in the civilian space budget, which now runs at about £100m a year.

The plan for the future is being drawn up by Britain's National Space Centre. This was formed last year to co-ordinate the country's space policy which until then was the responsibility of separate government departments such as the Department of Trade and Industry.

The final draft of the document is due to be agreed by the centre's staff on July 4, after which the report will go to Mr Geoffrey Pattie, Minister for Industry and Information Technology, whose responsibilities include the space industry. Mrs Margaret Thatcher, Prime Minister, and other senior Cabinet ministers are thought likely to consider the plan before the Government decides on whether to accept it later in the year.

Britain's new space plan is necessary mainly to ensure that the UK can play a full role in Columbus, a manned space laboratory being planned by the 11-nation European Space Agency (ESA) of which the UK is a member.

Under outline plans for Columbus, the $2bn laboratory is due to fit into the central core of an international space station under discussion by the US and other Western countries.

The design of the station, due to be in place by the mid-1990s, is being co-ordinated by the US but will include contributions from the ESA nations, Japan and Canada.

Britain's role in Columbus will probably be to design and build a small platform associated with the manned part of the laboratory. The platform, under study by a group of European space-technology companies led by British Aerospace, is due to leave the laboratory intermittently and fly over the poles. It will be laden with cameras for taking snapshots of the Earth.

If Britain puts up about one eighth of the cash for Columbus – as the country has indicated to its European partners that it will – it will have to increase substantially the money it spends on space activities.

As well as considering the role for Britain in the Columbus project, the UK plan for space will also set out how the country may benefit from other extraterrestrial activities. These include the construction of new generations of telecommunications satellites and low-gravity materials processing in which it may be possible to manufacture substances difficult or impossible to make in Earth-bound factories.

BRITAIN is falling behind other West European nations in the cash it spends on space activities, according to a report sponsored by Eurospace, an aerospace industry group.

While in the 10 years to 1985 Western Europe increased by more than threefold the cash (expressed in current prices) it spent on space science and technology, Britain's space budget rose by a factor of 1.9. Over the same period, the national space budgets of France, West Germany and Italy increased by factors of 3.4, 2.2, and 4.4 respectively.

These three countries, followed by Britain, are Western Europe's biggest spenders on space activities. According to the report, France spent 692m European accounting units (Eau) on space in 1985, or roughly $657m. Spending by West Germany, Italy and Britain was $342m, $177m and $156m respectively.

According to the report, total West European space expenditure in 1985 was 1.79bn Eau (about $1.69bn).

Shipping lines lobby over NZ butter trade

BY ANDREW GOWERS

TWO BRITISH shipping lines with a £200m stake in trade with New Zealand yesterday expressed serious concern over a possible threat to that country's butter exports to the European Community, which are up for renegotiation this year.

Mr Alan Bott, chairman of the New Zealand Conference of Shipping Lines and a director of Ocean Containers (OCL), said it would be a "total catastrophe" if the country's access for butter exports to the UK were to be curtailed, as demanded by Mr François Guillaume, the French Agriculture Minister, earlier this year.

OCL and Associated Container Transportation (ACT) have started a vigorous lobbying campaign among British MPs and MEPs on the issue. Between them, OCL and ACT handle about 84 per cent of the trade between Britain and New Zealand.

The transport of dairy products is worth a total of about £8m a year to the two lines. Mr Bott said the elimination of New Zealand butter from the European market would have significant knock-on effects on other parts of the trade in both directions, involving such goods as wool and meat.

The New Zealand Government is also putting intense diplomatic pressure on the EEC authorities to allow continued access to the European market for its butter. Mr David Lange, the Prime Minister, is due in London later this week. Butter will be an important item on the agenda of his talks with Mrs Margaret Thatcher, the UK Prime Minister, and Mr Michael Jopling, the Agriculture Minister.

Access for New Zealand butter to the UK is guaranteed until 1988 under a five-year deal with the EEC, but quantities for 1987 and 1988 are due to be set in negotiations between farm ministers and the European Commission later this year.

The amount of butter which New Zealand is entitled to export to the UK has declined sharply since Britain joined the Community 13 years ago. This year, the export quota is fixed at 79,000 tonnes, compared with 168,000 tonnes in 1973.

In practice, the New Zealanders expect their butter quota to be cut by a further 2,000 tonnes in each of the next two years in line with proposals originally put forward two years ago – despite the French call for its complete abolition.

UK NEWS

Tories aim to polish their image on the environment

BRITAIN has acquired the unenviable title of the dirty old man of Europe because of foot dragging over a range of environmental issues from hazardous waste disposal to polluted beaches, **Richard Evans writes.**

Now, Prime Minister Mrs Margaret Thatcher's observation on her return from Israel that many of the country's highways are litter strewn will bring the problems of pollution much closer to people's consciousness.

It is a sign of the times that environmental issues are rising to the top of the political agenda with the aim of "greening" the Conservative Party's image prior to the next general election.

There were early signs yesterday that the probable choice of Mr Richard Branson, head of Virgin Records and Virgin Atlantic, to head a campaign designed to clean up the environment, together with the Prime Minister's comments on "litter strewn" Britain, were being seen by local authorities and opposition leaders as a largely political operation.

Dr Jack Cunningham, Labour's environment spokesman, said Mrs Thatcher's Government had planned for and encouraged major cuts in the amount spent by councils on refuse collection, disposal and environmental health services which included street cleaning.

"Only Mrs Thatcher could have the gall to talk about increasingly dirty streets—they are as much her responsibility as the individuals who drop litter," he said.

The TUC dismissed the scheme, which it is hoped will give jobs to thousands of youngsters at £60-£70 a week, as "a cynical publicity stunt."

But whatever the merits of the Branson committee's campaign to smarten up derelict inner city sites and to launch a direct attack on the problem of litter, there is not doubting the scale of the task.

Every year each Briton throws away around three tonnes of refuse. Most of it is either buried or incinerated and, despite recent developments like the introduction of bottle banks, less is recycled than in other west European countries.

In Greater London, where 3.3m tonnes of household waste is collected annually, litter is a very small proportion by weight, but with fly-tipping—the illegal dumping of waste material—it is the most unsightly.

Tougher regulations have been brought in to combat fly-tipping and there is pressure for tougher powers against litter louts. Lady Porter, leader of Westminster City Council, the borough with by far the biggest litter problem in the capital, favours on-the-spot fines. Westminster, which collects 750 tonnes of refuse a day and has an annual cleansing budget of over £20m, launched a cleaner city campaign in 1980. There are now over 5,000 litter bins, including 500 sponsored by shops and companies at a cost of £50 a year.

But the British are inveterate litterbugs, as any suburban railway carriage or major sporting event will testify. More cash for local authorities, voluntary groups and others would undoubtedly help but it would be dealing with the effect rather than the cause.

RICHARD BRANSON

MARGARET THATCHER

NEW YORK:

New York's army of 2,300 regular street cleaners move an estimated 100 tons of litter off the Big Apple's 6,000 miles of streets every day—more most weekends, when street fairs and festivals often turn the tarmac into a multi-coloured mess.

The street cleaners, part of the city's 7,000-strong sanitation department workforce, use everything from hand brooms to big three-wheeled water-spraying road sweepers in a never-ending battle with litter.

It is a battle which many outsiders would consider is only being half-won at best. But the New York sanitation office has numbers that tell a different story. Last year New York's streets got a 72.4 per cent clean rating. Some of the credit must also go to the private sector, which has stepped up its own efforts to present a cleaner face to the world.

MEXICO CITY:

Mexico City, despite being the world's most populous at 18m and probably the most polluted capital, is remarkably litter free, **David Gardner writes.**

The debris from major certs, rallies and football gatherings at, for example, con- matches, is cleaned by armies of sweepers almost before the crowds disperse. Litter bins are few, but most central streets tend to be cleaner than in Europe.

However, a fifth of the population has no sewage facilities, and large areas of satellite areas have neither water nor paving. The authorities have still to find an effective way of dealing with an estimated daily 15,000 tonnes of rubbish, of which not much more than half is processed.

HONG KONG:

"Our fragrant harbour is dying," said a recent headline in a leading Hong Kong newspaper. It is the "lap-sap," or rubbish, bobbing about the surface of panoramic Victoria Harbour that has sparked public alarm, rather than the steady and more pernicious pollution that has quietly been poisoning the territory's waters for a decade, **David Dodwell writes.**

Tourists plying between Hong Kong Island and Kowloon on the quaint Star Ferry now find themselves ploughing through vast shoals of floating detritus. Hong Kong's affluent classes, who traditionally "get away" at weekends to remote beaches find themselves wading ashore through plastic bags, polystyrene packing blocks, light-bulbs and assorted lumber.

More serious but less noticed is the pollution that comes from unregulated industry. Nearly 1m tonnes of sewage is pumped into the Territory's waters every day and, more lethally, 2,000 tonnes of pig and poultry waste are dumped daily into its rivers. Sulphur dioxide permeates the atmosphere because of the high sulphur fuel preferred by local industrialists.

TEL AVIV: MRS THATCHER MIGHT HAVE GUESSED

BRITISH Premier Margaret Thatcher may have been impressed with the cleanliness of her surroundings during her flying visit to Israel, but she might have guessed that a special effort had been made.

In Ramat Gan, just outside Tel Aviv, which is twinned with her own constituency of Finchley, Barnet, the municipality labourers had toiled for days to spruce up the city centre and a small fortune, by local standards, had been spent on flowers for the occasion.

Locals, however, were irate at the cost and at the trampled flowers left behind by the official cavalcade. Moreover, the litter left by the crowd guaranteed more overtime for the road cleaners.

True, Jerusalem's mayor Teddy Kollek has a well-deserved reputation for keeping his crowd-pulling city clean and the country's road sweepers, often lowly-paid Arabs from the occupied territories, are a common sight in every town in the country.

The Israelis themselves, however, are notorious for despoiling picnic areas and nature reserves and the country's beaches are chronically littered every weekend.

No doubt the country would look a lot worse without the armies of Arab cleaners, as became clear when they went on strike several times last year. Piles of stinking rubbish gathered on pavements, growing fetid in the heat or being strewn about by wind and the hordes of alley cats.

TOKYO:

Tokyo is not only one of the safest cities in the world, it is also one of the cleanest: first, because of its highly developed waste disposal system and second, because of the inherent neatness of the Japanese themselves, **Carla Rapoport writes.**

Official, the task of keeping things tidy falls to the Bureau of Public Cleansing of the Tokyo Metropolitan Government with a staff of 12,600 and a budget of Y147.8bn (£595m), 4.1 per cent of the total city budget. About 85 per cent of these workers are on the streets each day, working under the guidance of 55 public cleansing offices,

Unofficially, Tokyo's neighbourhoods are kept clean by the diligence of its residents. Each resident is obliged to separate their garbage into burnable, non-burnable and glass and then remember to put out the right kind of garbage on the right day of the week. Failure to get this right will often result in a polite lecture from a neighbour.

PARIS:

Paris prides itself on a street-cleaning service *par excellence* —as pedestrians regularly sprayed by the fleet of vans hosing down the roads can readily testify, **David Marsh writes.**

Spending on total cleansing services, including collection of rubbish, street-cleaning and removing signs on walls, is running at FFr 1.4bn (£10.9bn) this year for the city, up from FFr 1.3bn last year.

Paris Mayor Jacques Chirac has introduced a motor cycle-borne collection service for the Parisians' bane: dogs' excreta. Green motorbikes fitted with brushes, scoops and a roomy container over the backwheel scour 80 per cent of the city's pavements every day. Paris dustmen make daily journeys to collect street rubbish, including Sundays and some holidays. Street sweepers, mostly immigrants, abound.

MOSCOW:

In summer and winter fierce little old ladies clean the pavements in central Moscow. Their presence is far more intimidating than that of the grey-shirted police, **Patrick Cockburn writes.**

Assisted in some street by mechanical street cleaners with revolving brushes, the ladies are busiest in winter sweeping away the snow before it becomes compacted and spreading sand to make it easier to walk.

In summer they are aided by the fact that most foodstuffs in the Soviet Union are sold without elaborate wrappings, which reduces the amount of litter. Soft drink bottles are returnable for a small fee and are seldom abandoned. Overall dirt in Moscow is mainly industrial. A new shirt will carry within a few hours a dark rim from atmospheric pollution.

As packaging of foodstuffs and cellophane bags become more common, litter may increase, but the necessity of clearing snow and ice five months of the year means that there should most often be people to deal with it.

AMSTERDAM:

Cleanliness was next to godliness i nthe Amsterdam of old, but it has now deteriorated into one of the dirtier capitals of Europe and filth has become a serious political issue, **Laura Raun writes.**

The public outcery against rubbish in the streets peaked in 1983 when Mr Ed Van Thijn, a dynamic Labour Party politician, was appointed Mayor of Amsterdam. He has exempted the Sanitation eDpartment from the harshest spending cuts in the City's budget but this year's outlays still are expected to fall 9 per cent to Fl 140m (£36.8m) from Fl 154m last year. The number of employees has stagnated, falling slightly to 1,854 last year from 1,877 in 1981.

Amsterdam may be a little cleaner today than it was three years ago but the improvement is patchy.

FRANKFURT:

Frankfurt takes pride in keeping itself spick and span and spends plenty of money doing it. Squads of sweepers in orange uniform are in daily action and unwary visitors who drop litter in the parks are likely to be pounced on, **Jonathan Carr writes.**

Rubbish collection is a cross between a science and a military operation. Citizens are expected to put appropriate rubbish into appropriate containers.

Frankfurt (population more than 600,000) last year alone had a budget of nearly DM 130m (£37.9m) for garbage disposal with another DM 42m to keep the streets clean. In all, the cleaning department employs more tha 1,200 people.

THE ARTS

R.A. Summer Exhibition/William Packer

A quiet revolution at the Academy

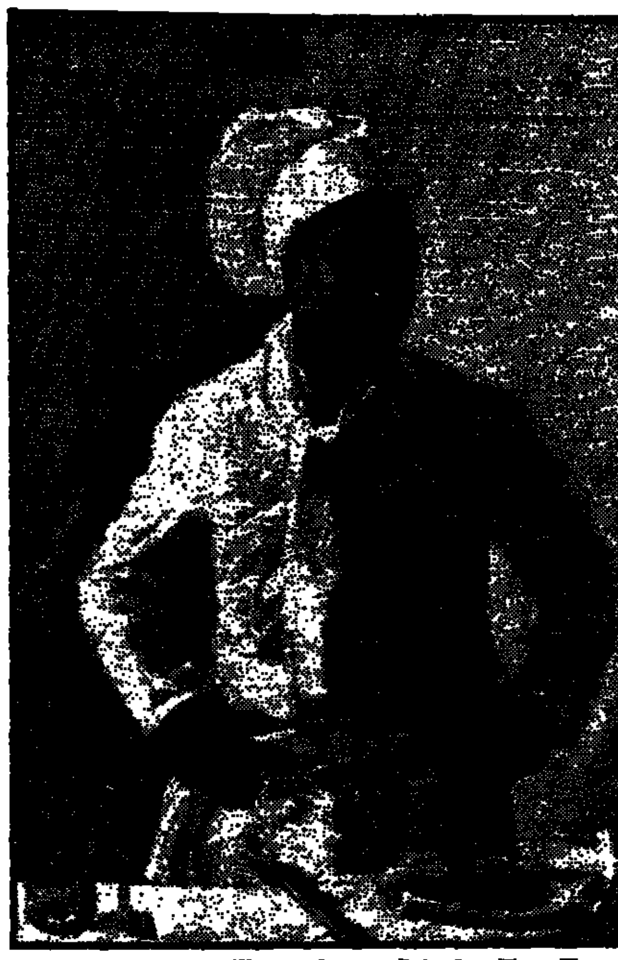
Pace M. Alphonse Karr, but sometimes *plus c'est la même chose, plus ça change* is the truer case. The Summer Exhibition of the Royal Academy has continued in unbroken succession now for 218 years, and it does seem that just as the Academy itself, almost from the first, was accepted as pillar and ornament of the British social fabric, so the attitudes and expectations directed towards this its annual house exercise were fixed immutable long ago.

Certainly the same stories, fraught with human interest and fresh at least to the teller himself, seem ever to come round again: of the hopeful artist with his master work; of the eccentric and arbitrary processes of the jury and the hanging committee; of the pain of rejection and the joy of success. Always there is the grand occasion of the Dinner and then the bun-fight of the Private View. And always from the Academy comes the confidence that this show at last is the best, the biggest, the most carefully chosen and beautifully hung ever; and from the critic that it is very much the mixture as before, and what else should one expect.

A certain regularity, even predictability, is of course an admirable thing, and in continuing to give the central place in its calendar to the current work of its active members, and to extend the opportunity to the community of artists at large, the Academy remains true to itself. To require change, whether in judgment or practice, requires also that one should have at least some idea of the changes one would wish to impose. It might also be to miss the point, and simple courtesy does require some acknowledgement of those changes already accomplished.

My own experience of the Academy's summer shows is hardly exhaustive, but it does now reach back over some 25 years and in that time I doubt if I have missed more than two or three. Only by looking back so far is it possible to register the scope and character of the changes that have been worked on the summer show as it were by Grandmother's Footsteps. Sir Thomas Monnington in the late 1960s and early 1970s, then Sir Hugh Casson and now Roger de Grey have presided successively over a quiet revolution that has been worked entirely from within, and for the most part by a membership that was already established in the Academy when its name was still a by-word for reaction against modern, which is to say post-war developments in art.

We move today through Galleries I and II and the larger expanse of Gallery III, each of them by custom dominated by the work of the Academicians and Associates who by right may show up to six works apiece, and there they still are, those now older members, Roger de Grey himself, and Robert Buhler, Ruskin Spear, Leonard Rosoman, Peter Greenham, Carel Weight, John Ward, Richard Eurich, Bernard Dunstan and Frederick Gore, to set the tone of the Academy. With them are those too who were showing then and have long since come officially to join them, David Tindle, Peter Coker, Frederick Cuming, Colin Hayes, Olwyn Bowey, Norman Adams, Ken Howard, William Bowyer.



Homage to Sir William Orpen RA, by Ken Howard ARA, one of the works on display at the Royal Academy's 218th Summer Exhibition.

But what, you may say, about those more obviously celebrated and *engagés* artists of the avant-garde whom the Academy has persuaded aboard over recent years, for the sake of its image, such as William Scott, John Hoyland, Allen Jones, Gillian Ayres, R. B. Kitaj, Joe Tilson, Eduardo Paolozzi, Phillip King, David Hockney and now Howard Hodgkin, God bless them all? Their contribution is much in evidence, to be sure, and likely to grow more so, but the odd and fascinating point is that their presence should make so little difference to the credibility and character of the Academy, for good or ill.

It is important for British art in general that such artists should choose to associate themselves with the Academy, for it is important that the Academy should hold a place at the centre of affairs, but the favour cuts both ways. What is clear is that, in making them welcome, the Academy does not need them, as once it seemed to fear, for being modern, or abstract, or avant garde, but simply for being themselves. The simple truth is that the world has come round to the Academy again, and it is a happy fact that the critical reputations of many of those senior Academicians, too long neglected, have enjoyed a deserved recovery in recent years, without any searching after notice or meretricious shift of style or substance.

In this as in so many Summer Shows past, it is the work of the established Academicians I find most interesting, and this year I would particularly recommend Norman Adams for his romantic and expressionist abstractions upon the figure in landscape, and David Tindle, Frederick Cuming and Roger de Grey for their quieter landscapes and interiors. Peter Coker, who has been too long neglected, declares himself with some fine, authoritative yet deceptively simple expressionist landscapes, and Ken Howard shows portraits and figures in interiors that are as ambitious as they are accomplished and suggest he, too, has been conspicuously under-rated.

Others I would always take care to search out are Olwyn Bowey, Elizabeth Blackadder, Peter Greenham, Anthony Eyton, Gillian Ayres and Patrick Symons. In the open submission it is particularly good to see Basil Beattie, Paul Huxley, Brian Fielding, Patrick Heron and Clyde Hopkins lending collective distinction to what was already a strong room of abstract painting. To give Gallery IV over to such work was a sensible move by the Hanging Committee, for it brings it forward positively into the body of the exhibition. Of the figurative painters, Gus Cummins, Mick Rooney, John Lessore, Quentin Blake, Leonard McComb, Paul Newland, Barbara Rae and Jennifer Durrant are outstanding, which is to say they were, among those who caught my eye in the crowd.

The hang overall is admirable for its clarity and openness which, with 1593 exhibits, rather down on last year but well over the average of recent decades, is a considerable achievement. The screen-free spaciousness of the Large South Room is a great bonus; but that said, the dense clutter of Gallery X at the far end of the show, where this year the prints have been confused with drawings and water-colours, can only be described as a mistake. The Print is a special category to the Academy, or should be, and deserves more space, not less, and better treatment.

As for the sculpture, my own view, annually expressed, is that it will always suffer in a large and mixed exhibition, and to confine the bulk of it to the ghetto of the Lecture Room is no answer. Again more space, or perhaps a separate occasion, is required — but that is hardly my problem. As a show of painting and drawing at large, and print-making too, across the broad spectrum of serious professional practice in Great Britain, the Summer Show of the Royal Academy now offers us nothing definitive, but always a very fair view indeed. It is in the quality of its professional address that it has made the greatest changes, and the greatest advance, over the years I have known it. We have until August 24, with August 18 a special day for the disabled, to enjoy it.

French music/Bath Festival

David Murray

Besides early music, another prominent strand in this year's Bath Festival is French music. Each of the daytime concerts I heard at the weekend picked it up: Fauré by the piano quartet Domus, both Debussy's books of *Images* from the pianist Howard Shelley, and amid new British music from Music Projects/London a new Franco-Romanian piece.

Bathed in the generous acoustic of the Guildhall Banqueting Room, the Domus performances were even better balanced than at the Wigmore last month. Their Fauré was the Second Quartet, still as fresh as when they recorded it last year and probably more firmly shaped; it was exciting to hear. They recognised Mozart's E-flat piano quartet as a denser, richer piece than it is often made to seem—indeed, they lavished so many bright perceptions on it that it will take another year or two to accommodate them in a fully confident reading.

Shelley's severely intelligent account of the Schubert A minor Sonata, D. 784, survived the Theatre Royal, a delightful place but deadly dry for sound; his Andante needed more compensating warmth. He is not, I suspect, much interested in the magical possibilities of piano-sound: the *Images* were by turns acutely subtle and merely brittle. Speedy and brusque, "Hommage à Rameau" lost its lyrical gravity.

His Schumann *Carnaval* was a curate's egg of some distinction. In all the quicker music there were imaginative graces, and plenty of power (occasionally strident). The "Chopin" pastiche was realised with unusual conviction, but the clandestine passion in the middle of "Reconnaissance" went unnoticed, and Shelley hurried through "Aveu" as if it embarrassed him. The ever-wilder finale had dash, but no thrill of *emportement*—it was too cautiously calculated for that. There was no failure of taste.

In the kinder Guildhall room again, Richard Bernas and his Music Projects ensemble made good, sonorous sense of all the recent pieces they championed (with support from the Society for the Promotion of New Music). The 22-year-old Paul Archbold's *Aphrodite* was immediately appealing, spelled out in successive, delicately extended waves. Touches of florid solo violin reinforced an impression that the material was romantic-tonal, despite cunningly ambiguous surfaces. James Clarke's *Downstream* used its string quintet with expert resource both to track a single note through a slow five-octave *glissando* descent, and to weave fragmentary fantasies around it.

The Franco-Romanian piece was Costin Miereanu's *Enlacements infinis*, seven linked movements for soprano (the assured Sarah Leonard) and 11 instruments, colouristic and insinuating in ways that set it apart from the other pieces. The Mexican Javier Alvarez, a recent London arrival, contributed his new *Tientos* (for a quintet like Schoenberg's *Pierrot*), characteristically energetic and mercurial.

The featured composer of the Bath Festival this year is young Mark-Anthony Turnage, and Music Projects performed two of his works—composed only about a year apart, but marking a quantum-leap in gutty originality. *After Dark*, for quintets of winds and strings and an oxygen bottle rudely bashed, had an intricate whipped-up scherzo, a well-mannered Andante and a tidy summing-up. Its hints of funkiness burgeoned in *Lament for a Hanging Man* (again with the redoubtable Miss Leonard, texts from Sylvia Plath and the prophet Jeremiah) into something much more gripping. Jazz-aligned saxes and bass clarinets, raucous and surly, confront the interplay of harp and vibes, while everybody has a thwack at his or her own private percussion. Toughly musical, dirty, concise: a real new voice.

Orchestra of the 18th Century/Central Hall

Andrew Clements

The Methodist Central Hall, Westminster, just behind Parliament Square has a past life as a concert hall, a decade ago, for instance, it played host to Havergal Brian's *Gothic Symphony*. Now there is a plan to make it a regular venue for concerts again, and so on Thursday it opened its doors to the Orchestra of the 18th Century, directed by Frans Bruggen, making its London debut as part of a current European tour under the sponsorship of IBM.

Central Hall is a big place; on this occasion it was perhaps half filled. Next time this orchestra visits London I predict there will be standing room only, for in its way it is every bit as exciting as the Chicago Symphony or the Berlin Philharmonic. By the complete seriousness and dedication of its approach to authenticity in the performance of 18th-century music the cause has been advanced by a quantum leap; it was marvellously satisfying to hear confirmed in concert what was suggested by the recordings of symphonies by Mozart and Beethoven released by Philips earlier this year. Here at last is a group pledged to the re-creation of baroque and early classical sound worlds, but which at the same time is capable of investing that world with an expressiveness and energy that can only result from an absolutely confident control of line and texture, phrasing and articulation.

The orchestra draws its players from all over the world—there are a number of familiar faces from the London concert platform. But unlike some glossy multinational ensembles in the concentration of rehearsals and concert-giving into a single exclusive span each year, so that all the players' efforts may be channelled towards developing their repertory and tailoring their playing to the specific demands of each composer. Such is the attention to detail that for Thursday's concert—a first half of Scheidt, J. S. Bach (the six-part *Ricercare*) and Rameau's *Les Boréades*, followed by Mozart's Jupiter Symphony—both instruments and pitch were changed at the interval, to ensure the correct matching of tone colour to music.

Fastidiousness of that order could quite easily lapse into dust-dry academicism in the concert hall. There is no hint of that, partly because of the energetic commitment of the players, and also thanks to Bruggen's lively direction. It would be easy to make *Les Boréades* a tedious sequence of pretty numbers; here each emerged in bright, primary colours, the sometimes startling instrumental gestures sharply highlighted, the variation in texture and phrasing a constant source of fascination.

In the Jupiter Symphony the attentive concern for inner parts and also the equitable balance between wind and strings gave every movement a buoyancy which never faltered.

*

In any other week Trevor Pinnock's debut concert with the London Symphony Orchestra at the Barbican on Friday might have just got by. But coming straight after the Orchestra of the 18th Century it seemed like a return to the dark ages of Bach and Handel playing. Pinnock's performances with the English Consort are often models of taste and musicianship: his acceptance of these modern big-band accounts, by no means convincingly rehearsed, was hard to explain. The bright spot was some of the singing of Kathleen Battle. Her account of Bach's cantata "Jauchzet Gott in allen Landen" was technically accomplished, but thin toned and uninvolved; in a pair of arias from Handel's *Semele*, however, she found her best, brightest tone, and admirably clean articulation, a package combined with a winning stage personality.

Horowitz/Festival Hall

Dominic Gill

When Horowitz returned to Europe four years ago for the first time in more than 30 years, some of those who bought tickets to his two London recitals may have felt their *anticipation mixed* with a tinge of apprehension. Many had doubtless grown up, as I had, with Horowitz on record: as a child in the 1940s with his pre-war 78s, and in the early 1950s with his new electrified, and electrifying, performances of Liszt and Chopin.

They would have mourned his 12-year silence from 1953 to 1965; and rejoiced in his return, and in the spectacular flood of recordings which accompanied it. But all from a distance. For decades he had been a familiar figure to European music lovers, intimately known but perceived only from afar — through the intervention of needles and magnets and loudspeakers, and the crackle and hiss of surface noise. *Could the pianist in person* conceivably match the recorded myth?

It was the strangest experience then to hear Horowitz play, and not to have to turn him over. Stranger still, and more thrilling, to hear without any medium between us except the air that unmistakeable sonority: the explosive bass, the clang of super-brittle hammers, the featherlight, crystalline treble, the breathtaking dynamic range. It was exciting above all to discover (had one really wondered?) that the playing was after all no figment of the recording engineer's imagination, and that the unique *Horowitzian palette of colour* was no electronic fantasy. I have written the same words before, but the impact is so fresh on each occasion that they bear *repeating*: on record Horowitz may sound larger than life; in live performance — and no less today at the age of 82 —he sounds larger still.

The only real token of the passing years is that Horowitz today, instead of lighting the fuse in the first 15 minutes, now feels his way more tentatively into a recital, much as Rubinstein in his eighties used to do. On Sunday afternoon his familiar opening trio of Scarlatti sonatas was more of an inward reflection, a testing of the air than an overture—the B minor a hypnotic web of slow contrapuntal colour, the little early E major (Longo 23) drawn out like the sweetest *19th-century rhapsody.*

I have never felt that Horowitz is entirely at his ease in the larger-scale Schumann works—or perhaps, more precisely, that Schumann *is* entirely at ease in Horowitz's *Kreisleriana*. It is a powerfully and often disturbingly individual reading that begins not *in the least* (as the *composer* suggests) *agitatissimo*, but questioningly, with calm and pointed clarity, to investigate a web of inner voices and conversations that lie far below the surface of the music. There is a side of Schumann which Horowitz catches as no other pianist I have ever heard: the intimate, enigmatic Schumann, wistful, tender—the Schumann of the *farouche* shy smile, the sudden, unpredictable alternation of tears and laughter. But the bright-eyed, windy music—the beady, sensuous Florestan, the grand reverse side of the coin—is arguably too convoluted: fascinating, and its way compelling, but without real, embracing warmth.

Perhaps if Horowitz had played *Kreisleriana* in his second half, it might have turned out differently. Certainly, as every minute of the recital passed, the focus grew closer, and the attack—that lightning Horowitz key-descent—ever sharper. The first unequivocal strains of the legendary Horowitz were to be heard in the bass octaves of Skryabin's D sharp minor Etude (which he began, contrary to expectations, with the soft pedal down), exploding in the depths like hand-grenades. And from then on, throughout the second half, the playing grew like magic, layer upon layer.

Schubert's B flat Impromptu was an enchantment matched only by one of Horowitz's favourite showpieces, the sixth of the Schubert-Liszt *Soirées de Vienne*—a marvel of lyrical delicacy and fine dynamic shading. His account of Liszt's Petrarch Sonnet No. 104 didn't have the ultimate technical finesse of his greatest recorded performances: but it had something different too, an easy lyrical intimacy, and an extraordinary *precision in the* weighting of every colour and every chord. Two Chopin Mazurkas (op. 30 no. 4 and op. 7 no. 3) were almost perfection; and it was at this point, after the inevitable and joyous A flat Polonaise (Horowitz has borrowed more than one Rubinstein trademark in the last decade), that he soared finally into his three encores—of which the last, Rakhmaninov's Polka, was a dream of an era all but vanished, but tantalisingly, for a few brief minutes, revived. No one—as even the most distinguished of Horowitz's many colleagues in Sunday's audience would admit — plays the piano like this, as well as this, any more.

Oskar Kokoschka at the Tate

An exhibition of over 200 oils, watercolours and drawings will celebrate the centenary of the birth of Oskar Kokoschka at the Tate Gallery from June 11 to August 10.

The last major restrospective for the artist was held at the Tate in 1962. This exhibition will travel to Zurich and New York from September to February 1987.

Cuba and His Teddy Bear/Public, New York

Frank Lipsius

With movie star Robert De Niro in the cast, Reinaldo Povod's *Cuba and His Teddy Bear* was sold out almost immediately the tickets went on sale. Ever the inventive entrepreneur, Public Theatre head Joseph Papp added closed-circuit television in a second venue on the premises.

Though De Niro brings in the crowds for his performances as *Cuba, a New York drug* dealer raising his 16-year-old son, he is badly miscast, coming across as an Italian hood in the midst of Spanish speakers. *As such, he fails to capture* all the nuances in the 26-year-old playwright's deeply felt exploration of the relations between father and son.

Cuba wants son Teddy (Ralph Maccio) to escape his own dope dealing and prison record. The father cuts and snorts cocaine in front of Teddy, claiming he wants his son to know everything but not have to try it. Teddy inevitably pulls out a syringe and bag of heroine as soon as he is alone, but to him drugs are a way to a writing career, *not just succumbing* to his father's weakness.

Cuba's pal Jackie (Burt Young), a fat, middle-aged Jew, supplies the cocaine as well as *the plot: he needs to sell* 2 lbs of marijuana. Teddy knows a possible buyer, giving his father the first inkling of the son's disreputable pals.

The father's open drug use while expecting abstinence of his son has an air of unreality about it; so does the son's surrogate wife role, handing his father the clothes to dress in during the drawn out sop to De Niro fans in a first act almost totally taken up with changing onstage from a towel and pink furry slippers to a Pierre *Cardin suit*.

But these oddities slip by easily enough when there is such strength in the guts of the play, where Teddy's inarti*culate obedience gives way to* short spurts of energy as he reads his own passages of powerful prose.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 30-June 5

Opera and Ballet

LONDON

Royal Opera, Covent Garden: The last performance this season of Carmen, with a strong cast headed by the fierce intensity of Agnes Baltsa and José Carreras, which overshadows the creakier aspects of the production, is followed by the return of Eugene Onegin, *conducted by Colin* Davis and with Ileana Cotrubas, Neil Rosenshein and Thomas Allen promising a great deal. (240 1066).

English National Opera, Coliseum: Birtwistle's The Mask of Orpheus, undoubtedly the most important opera to be introduced in London for many years, shares the week with Fledermaus and the revived Mary Stuart, with Jane Eaglen *taking on* Rosalind Plowright in the opera's central confrontation. (836 3161).

PARIS

Trisha Brown Company dances Lateral Pass, Group Primary Accumulation and Set and Reset in Robert Rauschenberg's decor. 93 Bobigny, *Town Center, Bld Lenine, Metro* Pablo Picasso (4274 2277).

Ballet Cullberg, combines the inheritance of German Expressionism with American modern dance. Théâtre de la Ville (42742277).

WEST GERMANY

Hamburg, Staatsoper: Boris Godunow, in a concert version, features Hanna Schwarz, Gabriele Fontana, Kurt Moll and Walter Raffeiner. Le Nozze di Figaro has Judith Beckmann, Rachel Joselson and Patrick Raftery. Katja Kabenowa has fine interpretations by Anny Schlemm, *Nadine Secunde*, Daphne Evangelatos and Franz Ferdinand Nentwig. This week's highlight is Ariadne auf Naxos starring Tatiana Troyanos, Margaret Price and Dieter Weller. La Clemenza di Tito rounds off the week. (351151).

Frankfurt, Opera: Hoffmanns *Erzählungen* has Elizabeth Parcells as Olympia, Hildegard Heichele as Antonia and William Cochran in the title role. Louis *Quilico is* repeating his much praised performance in the title role in Falstaff. Der Zigeunerbaron will be conducted by Michael Luig. La Bohème, sung in Italian, *has Ellen Shade as Mimi* and Giacomo Aragall as Rudolfo. (25621).

Cologne, Opera: Cendrillon has Ann Murray in the *title role*; Kathleen Kuhlmann *is a splendid Carmen*. Die Zauberflöte with Heseon Kwon, Inga Nielsen and Thomas Thomsaschke. (20761).

Stuttgart, Württembergisches Staatstheater: *Martha, Loriot's first opera* production. Salome includes Karen Armstrong, Raymond Wolansky and Roland Bracht. (20321).

ITALY

Milan: Homage to Debussy: Pelleas et Melisande conducted by Claudio Abbado and directed by Antoine Vitez. *Frederica Von Stade*, Gleanis Linnos, Surt Ollman, John Broecheler and Nicolai Ghiaurov. Scenery and costumes by Yannis Kokkos. (809126).

Milan: Teatro *Lirico*: Balletto Imperiale with choreography by Balanchine and Béjart. (866418).

Milan: Teatro dell'Opera: La Bohème conducted by Daniel Oren and directed by *Pierluigi Samaritani*, who also designed the scenery and costumes. The cast includes Nelly Miricioiu, Francisco Araiza, Alessandro Corbelli and Fiorella Pediconi. (461755).

Naples: Teatro San Carlo: The Barber of Seville by Rossini with Margarita Zimmermann, Bruno Pola, Curtis Rayam, Domenico Trimarchi, Silvano Pagliuca and *Nicoletta Ciliento*. Bruno Bartoletti conducts. (418266).

Turin: Teatro Regio: Turandot conducted by *Zoltan Pesko* and directed by Grischa Asagaroff, with scenery and costumes by Josef Svoboda. The cast includes Eva Marton. Rimsky-Korsakov's Il Gallo d'Oro directed by *Ugo Gregoretti* and conducted by Will Humburg. (548000).

Florence: Teatro Communale: (Maggio Musicale Fiorentino): *Mastersingers* conducted by Zubin Mehta and directed by *Michael Hampe* with scenery and costumes by John Gunter and Teinhard Heinrich. Lucia Popp, Gary Lakes, Hermann Prey, Bernd Weikl and Peter Wimberger. (2779236).

NETHERLANDS

Amsterdam: Carre. Holland Festival premiere of Wagner's Meistersinger from the Netherlands Opera and the English National Opera directed by *Elijah Moshinsky* and designed by Timothy O'Brien, with the Concertgebouw Orchestra conducted by Edo de Waart. Soloists Roberta Alexandre, Jard van Nes, Henk Smit and *William* Johns (Thur). (225225).

Scheveningen: Circus Theatre. The Hague Summer Festival: Shakespeare's Taming of the Shrew danced by the One Extra Company of Australia and choreographed by Kai Tai Chan (*Mon*). *Romeo* and Juliet performed in Italian by the puppets and actors of Teatro del Carretto (Wed, Thur). (558800).

Amsterdam: Stadsschouwburg. The *Netherlands Dans Theater* with Jiri Kylian's Histoire du Soldat and Sinfonietta, and Glen Tetley's Revelation and Fall (Mon to Thur). (242311).

VIENNA

Staatsoper: La Gioconda conducted by Fischer with Marton, Baglioni, Lipovsek, Domingo. La Traviata conducted by Kleiber with Gruberova; Tannhäuser conducted by Klobucar with Tomova-Sintov. (5324/2655).

Volksoper: *Das Land des Lächelns*, Der Opernball, Madama Pompadour, The Barber of Seville. (5324/2657).

NEW YORK

New York City Ballet (New York State). Lincoln Center. (870 5570).

American Ballet Theatre (Opera House): Mikhail Baryshnikov brings his company to its two-month spring season with four new works choreographed by Kenneth MacMillan, John Taras, David Gordon and Karole *Armitage*, which join the repertory that includes The Nutcracker, Don Quixote, Giselle and La Bayadere. Ends July 5. (362 6000).

WASHINGTON

Stuttgart Ballet (Opera House): The visit will include the full-length Eugene Onegin choreographed to Tchaikovsky by John Cranko. Béjart's Gaité Parisienne and the local *premiere of John Neumeier's A* Streetcar Named Desire. Ends June 8. Kennedy Center. (254 3770).

Saleroom/Susan Moore

End of an opulent era

The first session of the five-day dispersal by Christie's of the *collection belonging to the late*, great and eccentric patron of the Surrealists, Edward James, launched possibly the final act of showmanship at West Dean Park in Sussex. Remodelled in 1891 for Edward James's parents, the opulently furnished and decorated house, fitted with every modern convenience, saw some of the most extravagant entertainments of the Edwardian era devised for the Prince *and Princess of Wales*. Yesterday morning's sale was devoted to the French furniture amassed by Willie and Evelyn James.

The in taste, anticipating their son's, was advanced. Spectacu*lar pieces of French Rococo* and neo-Classical furniture were acquired from Hamilton Palace, Mentmore and their European travels. Two of the most extraordinary items are the pair of marble-topped painted walnut commodes that James had made from panels of Neapolitan state cariages bought in Italy, decorated with classical medallions and grotesques. Both were *sold to the silver dealer* Mrs How, the more elaborate at almost twice the estimate, £25,920.

A Louis XIV giltwood sedan chair in the predominantly "Old English" Oak Hall at *West Dean, painted with scenes* of Diana the Huntress and possibly of royal origin, was where Mrs James would wait for and surprise her guests. It was sold for £45,360 to the London *dealer Henry Phillips*. Attributed to Georges Jacob and from the royal Palais de Tuileries was the pair of Louis XVI giltwood chairs sold for *£3,780, two of a number of* pieces covered with Aubusson tapestry and one of the few lots that realised less than their estimate.

Patridge, the London dealers, bid heavily. The firm acquired an ebony bureau plat in the manner of A.-C. Boulle for £51,840; a Louis XVI marquetry *bureau à cylindre*, possibly by the hand of A.-L. Gilbert, £43,200; and two satinwood commodes, a wood then unfashionable but favoured by the Jameses. The first, a *transitional* piece with both Rococo and neo-Classical elements, realised £25,920; the similar but slightly larger version, also by *Charles Topino, made £32,240.*

The top price of £54,000 was paid by the French dealer Gismondi for a Louis XV black and gold Chinese lacquer commode by Bernard van Risen Burgh (BVRB).

The only item left unsold in the morning's sale, which totalled £970,596, was the ormolu-mounted commode made by the estate carpenter William Bevis as pair to the BVRB piece. West Dean College, the *craft school established* by Edward James which now occupies the house, has decided to keep it.

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Profit-sharing in practice

IN THIS year's Budget, Mr Nigel Lawson, the Chancellor, outlined a proposal for encouraging profit-sharing in industry, partly as a means of promoting employment. Since then the advantages and disadvantages of relating pay more directly to profitability have been widely debated among businessmen, trade union leaders and academics. In a paper published today by the Public Policy Centre, Professor James Meade, who has done more than any other British economist to stimulate interest in ways of linking pay to the performance of enterprises, points to some flaws in current proposals and offers his own prescription.

Profit-sharing schemes, Prof Meade suggests should not be regarded as a decisive tool for promoting a property-owning democracy—changes in the taxation of income, wealth and inheritance are, for example, more important. It is ironic that the Chancellor's dismantling of capital transfer tax in the Budget may do more to impede the efficient diffusion of capital than profit-sharing can do to encourage it.

Short horizons

One point stressed by Prof Meade is that capital is typically much better placed than labour to bear risks. Shareholders can spread their risks (and almost always do) by buying small stakes in a wide range of companies; a drastic decline in the profitability of any one company in their portfolio is of no great consequence.

The same is not true for labour: you cannot work for more than one company (or perhaps two) at once. It is thus important that income from employment should be stable and predictable; whatever its other virtues, profit sharing would inevitably increase the volatility of workers' remuneration.

Under most forms of profit-sharing radical enough to have an effect on employment, workers would be bearing proportionately more risk than most shareholders. It would be only fair in such circumstances for the workers to have an important say in the running of their company. But the danger, as Professor Meade stresses, is that worker-capitalists would tend to have short time horizons (especially as they approach retirement) and be risk averse, favouring unadventurous business strategies. As a result, "the economy might fall further and further behind in innovation of products and tecniques and generally in industrial efficiency."

These and other snags raised by Professor Meade might be regarded as a price well worth paying if the introduction of profit-sharing could be expected significantly to boost employment. But under the type of profit-sharing apparently envisaged by the Treasury and advocated in the US by Professor Martin Weitzman, employed workers could have a strong incentive to resist further recruitment.

The point is that as employment increases, profit-per-head—and hence overall pay-per-head—declines. The interests of "nsiders" (the present workforce) would continue to diverge from those of "outsiders" (the unemployed).

Great power

Indeed, the attempted introduction of Weitzman-style profit-sharing could even worsen the insider/outsider problem. It would give unions a very clear objective: to stabilize employment at a level that maximises the revenue-per-head of their company and thus brings maximum benefit to the current workforce.

Professor Meade has his own brand of profit-sharing scheme—"labour-capital partnerships"—which avoid this difficulty by breaking the convention of equal pay for equal work: new hands are simply paid less than established workers. But his scheme has other problems (as he candidly admits) and gives workers great power—roughly equal to that of ordinary shareholders.

Profit-sharing schemes can do much to motivate workers and to encourage a spirit of cooperation between labour and capital. But companies need to be aware that spreading profits also means spreading responsibility and risk. Any positive impact on employment would be magnified if the introduction of schemes was accompanied by reform of the labour market institutions which today prevent wages reaching market-clearing levels. The need, as Professor Meade emphasises, is for further experimentation.

Metal trading in a new world

THE London Metal Exchange is different. With that persistent rallying cry, the men who run the world's leading metals market have been seeking in recent weeks to defend themselves against what they regard as an unwelcome onslaught from an upstart regulator.

The Securities and Investments Board (SIB), the watchdog being set up under UK financial services legislation now before parliament, has proposed far-reaching reforms in the way the LME conducts its affairs in order to bring investor protection on the Exchange into line with that on other City markets.

The Exchange, backed by an irate international metals industry, says these are at best irrelevant and at worst positively harmful to the trade customers that form its bread and butter.

In the most important area, it has conceded the need for change—albeit with bad grace. It has agreed to introduce a clearing-house as a central intermediary to guarantee and record transactions, replacing its current system of dealing directly betwen principals. But it is fighting to retain most other aspects of its organisation more or less intact.

It is true that the proposed changes come at an extremely unfortunate time for the LME, which is still licking its wounds after the losses sustained in the tin crisis and the subsequent departure of several of its member companies. They will indeed increase the costs of using the Exchange when many metal companies can least afford it.

Trading system

It is also undoubedly correct to say that the Exchange is organised and constituted differently from any other commodity futures market. Its customers are a unique and somewhat uneasy blend of investors interested in speculating on price movements on the one hand and metal producers and consumers who use it for hedging their purchases and sales on the other. As such, it faces special difficulties in dealing with regulators concerned principally with investor protection.

As its elected officials have not been slow to point out, it also appears to have worked to the basic satisfaction of most industrial users for much of its 100-year existence.

That is not the point, though. The Exchange authorities have been forced to ask themselves whether its structure could ever look adequate again in the aftermath of tin, and particularly in the light of the increasing internationalisation and tighter regulation of the City in general. By deciding to adopt a clearing-house, they have explicitly acknowledged that it can not.

The main issues now exercising the market authorities, its customers and its regulators concerns the LME trading system.

At present, much of the Exchange's business is done bilaterally on the telephone between company offices, with two official sessions on the trading ring. The SIB says this does not meet its criterion of "price transparency"; in other words, it does not provide investors with an assurance that they are getting a fair price at any particular moment.

Recognised exchange

The LME and its industrial customers are equally adamant that the system should not change. They say that going over exclusively to an "open outcry" system of trading, as suggested by the SIB, would increase costs still further and might dampen market liquidity.

Again, this misses the point. The SIB has been set up specifically to look after the interests of investors. Those interests will patently not be secured if a market's pricing system is obscure, and if prices are not fully and accurately recorded.

If the LME wishes to remain unchanged as a "trade" market, it is perfectly free to do so: it could simply choose not to apply to the SIB as a recognised investment exchange. Or it could decide to separate physical trading from futures trading as suggested by one of its erstwhile member companies, Holco. The futures market could reform itself to qualify with the SIB, and the physical market could remain for use exclusively by metal companies.

Above all, there is an important sense in which the LME is no different from London's other commodity markets. It desperately needs to boost its liquidity by attracting back speculators driven away by the tin troubles. The only way of doing that is to make sure that confidence in its integrity is beyond reasonable doubt.

TAX REFORM

A clean thrust can skewer the lobbyists

By Clive Wolman

IT WAS the ancient Egyptians who first applied the principle of fiscal neutrality. Each August they would measure the height of the Nile flood and use it to fix the rate of taxation. The flood level determined the maximum agricultural yield which could be extracted from the land—and was thus the best indicator of the taxable capacity of every farmer.

The tax rate was applied to potential, rather than actual, yields so that a farmer could keep 100 per cent of every additional bale of corn he harvested. He thus faced no disincentive to work. Nor did the pharoahs use the tax system to create other incentives and disincentives, for example to grow papyrus rather than corn or to relocate from Memphis to Thebes.

In recent years, the wheel has turned full circle with the simplicity of primitive tax systems finding fresh appeal among governments and electorates worldwide. The radical US tax reform package, which now looks set to be passed by Congress over the summer, highlights a growing public scepticism about the ability of governments to use the tax system as a tool of economic management.

US opinion polls have supported President Ronald Reagan's belief that the mass of special exemptions and reliefs that have been multiplying uncontrollably in the US, as elsewhere, have benefited no one except professional tax advisers and their sharpest clients. The chief victims have commonly been the lower paid, forced to pay high rates of tax (and, in the UK, National Insurance contributions) as governments claw back some of the money they have given away in concessions to special interest groups.

The US senate is now proposing to sweep away most special exemptions and broaden the base of taxable transactions so that the rates of tax can be slashed. Its proposals would take six million of the lowest paid out of tax and impose just two low rates of federal income tax, 15 and 27 per cent, on the rest.

Similar pressures in favour of fiscal neutrality — the belief that a tax system should interfere with economic behaviour as little as possible—have been building up in other countries.

The legislatures in Australia and New Zealand are currently hammering out detailed reform packages although the lobbyists there have diluted some of the governments' original radical proposals. Japan, Canada and Norway are at earlier stages in the process. The move to fiscal neutrality and lower rates has also spread to less-developed countries, in particular to India and to Indonesia, where both government and business have been surprised by the success of the revamping of the tax system in 1984-85.

In Mediterranean Europe (Spain, Portugal, Italy, Greece and Turkey) the method of broadening the tax base to allow rate cuts has been different; governments have introduced or widened Value Added Tax, often upheld as a model of a "neutral" tax, not least by the EEC Commission, and have launched far-reaching crackdowns on tax evasion.

Ironically, the only country to move in the opposite direction over the last two years is the UK. In the 1984 Budget, the Chancellor Mr Nigel Lawson unveiled a package of tax reforms which removed many, although not all, of the distortions of corporation tax, and hinted at more to come. But the pressure of lobbyists forced him to abandon most of his plans last year—and this year he has moved in the opposite direction with a proposal to give large tax breaks to encourage profit sharing.

The traditional case against fiscal neutrality is that modern governments exercise enormous discretion in the way they spend public money—so why should they not do likewise in the way it is raised? Tax reliefs are often considered a more liberal way of fine-tuning the economy than direct expenditures. For example, the UK's Business Expansion Scheme (BES) was introduced as a way of encouraging individuals through tax reliefs to back small companies instead of letting civil servants decide which companies should receive grants and subsidies.

Tax relief also confers the largest benefit on those in the highest tax brackets. In 1984-85, before his retreat, Mr Lawson considered meeting this objection by restricting mortgage interest relief, the largest of all UK individual reliefs, to the basic rate of tax. But no one has followed up the idea.

Because "tax expenditures" are not subject to the same degree of political and civil service scrutiny as direct public spending, they are handed out for less justifiable reasons. Most of the £1bn a year of tax lost from the lump sums withdrawn from pension schemes on retirement goes to the wealthy. Why are cremations, pornographic magazines and house construction (but not improvements to housing) zero-rated for VAT purposes. Such arbitrariness reinforces the public scepticism about the usefulness of government intervention in industry.

The most fundamental objection to tax expenditures is that they are too blunt a weapon. In each of the three years since the BES was introduced, the Chancellor has had to redefine its terms to stop tax relief being lavished on such ventures as farming, property development and other asset-backed schemes.

Such difficulties are not merely the results of technical defects in the drafting of legislation. They highlight the failure of governments to analyse what they wish to achieve and whether tax relief is the most cost-effective way of achieving it. Is the BES designed to lower the cost of capital for all types of small enterprise, for employment-creating small enterprises or just for the riskier enterprises? Is a subsidy on mortgages the most efficient way of promoting owner occupation, when the main effect has been to boost house prices to the benefit of existing owners and when the money is so often used to finance consumer spending?

The critics of fiscal neutrality argue that, unless we return to reading Nilometers, the achievement of pure neutrality is a chimera. Any form of taxation inevitably interferes with economic activity by throwing up incentives and disincentives. Well-targeted palliatives aimed at remedying some of the worst defects in our economic life are better than nothing, they argue.

This was the approach of Senator Robert Packwood, chairman of the US Senate Finance Committee, when he began consideration of tax reform in the winter. He said he liked the present structure of taxation "pretty much the way it is."

This encouraged the Washington lobbyists, in particular the defenders of tax shelters, to re-double their efforts and almost every measure to repeal an exemption was watered down, abandoned or offset by some compensating measure. The outcome was a 1,400 page bill which would have compounded both the complexities and the distortions.

However, at the end of April, with his committee bogged down in details, Senator Packwood pulled off a coup by announcing his conversion to tax reform and unveiling a set of far more radical proposals. The decisive element in winning support for the package both within Congress and in the country at large was his proposed cut in the top rate of income tax from 50 to 27 per cent. After all the disillusionment, the new proposals were passed by the Committee at top speed and have generated a momentum which will be difficult to resist.

Both the passage of the bill and its details contain important economic and political lessons for tax reformers in Britain. The UK government has never decided whether it wishes to move towards a comprehensive income tax on the US model, which would mean taxing fully corporate profits, capital gains and investment income, or towards a consumed income tax, in which all savings would be offsettable against tax and all withdrawals from savings fully taxable.

In the 1984 Budget, Mr Lawson ruled out a consumed income tax and moved towards a comprehensive income tax by ending corporations' stock and investment allowances, repealing insurance premium relief and threatening to deal likewise with pension funds. But his plans to further fiscal neutrality were abandoned in 1985. And this year's Budget moved back in favour of a consumed income tax by proposing to exempt from tax the returns from individual shareholdings.

The political lesson from the US is that fiscal neutrality cannot be achieved by piecemeal reform spread over several years with no hint of the end product. To mobilise the electorate against the special interest groups, the benefits of lower tax rates and the numbers removed from the tax net must be publicised and dramatised, as President Reagan and populist Congress leaders have skilfully done.

The contrast between Mr Lawson's and President Reagan's handling of the politics of tax reform is striking. President Reagan had to be open about his ideas from the start. He commissioned and published a Treasury plan for tax reform, a modified version of which he endorsed after several months of consultations. The House of Representatives then debated and made further amendments in December and have been followed by the more radical Senate Finance Committee bill.

Mr Lawson succeeded in his 1984 reforms by throwing a veil of pre-Budget secrecy over the proposals to deny the lobbyists an opportunity to mobilise. But most of his plans for extending VAT in line with EEC directives and reforming the taxation of savings were postponed until the following year. Inevitably his tactic of reform by stealth could not succeed a second time.

Alerted to the danger, the industries that most feared tax reform unleashed their lobbyists. During the autumn, ministers and backbenchers received a stream of invitations to City lunches where they were told about the supposedly dangerous consequences of taxing pension funds or extending VAT. Studies on the same theme were commissioned from obliging accountancy firms and research institutes and a flood of protest to ministers and MPs was carefully orchestrated.

Because Mr Lawson failed to publicise his plans to the public at large, he denied himself the chance to muster popular support or to stimulate a wider debate on possible ways of introducing reform. Thus the technical objections of lobbyists, backed and briefed by actuaries, accountants and other professionals, went unanswered.

Another factor in the passage of US tax reform has been the neutralising of middle-class opposition with the offer to slash the higher rates of tax.

In the UK, higher tax rates have become a classic example of an empty egalitarian gesture with high salience but little substance in terms of revenue-raising. The success of the articulate middle class lobbies in blocking tax reforms last year in the UK casts doubt on the traditional Westminster assumption that it would be politically dangerous to abolish higher tax rates: abolishing them may be the only politically feasible way to push through reform.

Reform towards a comprehensive income tax could be as dramatic in the UK as in the US. As the table suggests, a single rate of tax of as low as 20 per cent could be applied across the board and social security benefits boosted. The lower threshold of National Insurance contributions, already a tax in all but name, and personal tax allowances could be raised to remove the tax burden on the lowest paid.

The changes outlined would greatly reduce the disincentive effects of high marginal tax rates and undermine the effectiveness of many fringe benefits and other forms of tax avoidance. Revealingly however, they would also make the tax and social security system more progressive, i.e. they favour the lower-paid more than the rich.

US-STYLE TAX REFORM — A UK VERSION

TAX SAVED	£bn
VAT: extend to everything including fuel, food, construction, housing (via imputed rent), books, financial services	16.5
Mortgage interest tax relief: phase out perhaps over 10 years	4.75
Capital gains tax: abolish annual and death exemptions	2.0
Pensions: abolish tax-free lump sum on retirement	1.0
Pension funds: tax annual total (inflation-adjusted) returns	3.0
Abolish BES, profit sharing and share option schemes and misc.	0.35
Total	27.6

TAX LOST	£bn
Basic rate of tax: cut from 29 per cent to 20 per cent	10.8
Higher tax rates: abolish so no one pays more than 20 per cent tax	1.5
Employee National Insurance Contributions (NICs): integrate with income tax by imposing a 9 per cent marginal rate on all income above the personal tax allowance (and nothing below)	3.3
The low paid: remove 1.5m from the tax/NICs net by raising personal allowances by an average of 30 per cent	5.0
Social security: raise state pension and some means tested benefits by 25 per cent, increase most other benefits by 10 per cent	7.0
Total	27.6

Source: Institute for Fiscal Studies

Men and Matters

Goward to the rescue

Russell Goward, a 32-year-old curly-haired whizz-kid from Australia has emerged as the saviour of the distressed independent oil and gas sector. His rescue yesterday of Charterhall—which involved a £10m cash injection and his installation as managing director—is likely to be the first in a series of investments in the North Sea by Westmex, his Australian company.

A compulsive investor for 16 years, Goward was previously chief executive of Industrial Equity, Ron Brierley's Australian investment vehicle. Under Goward's leadership, its profits rose from A$26.3m to more than A$50m in just one year.

Evidently, they expect a great deal from him Down Under. When he left Brierley to strike out on his own and bought into Westmex, then a sleepy quoted investment company, excited investors sent the shares up tenfold within a couple of weeks.

Goward says he is planning to specialise in the oil and gas sector in both Australia and the UK, and is thought to have around a couple of dozen possible deals under consideration.

Despite his exhausting timetable, split between the UK and Australia, he is drawing no salary and taking no fringe benefits. But if he achieves the astronomical returns that he is promising shareholders, such restraint should prove unnecessary before long.

The Charterhall deal meanwhile, has a certain gratifying symmetry to it. In the early 1970s, Charterhall was involved in mineral exploration in Australia and Westmex was brought in as a partner. As Derek Williams, Westmex's chairman, puts it: "Our boomerang has come bounding back."

Light relief

An unusual twist yesterday in the sparky takeover battle between Emess Lighting and its UK rival, Rotaflex. Emess, a fast-growing acquisitive company, disclosed that it is appointing a full-time director.

Until the appointment of David Cutler, formerly finance director at UKO International, the optical lens and catering equipment manufacturer, financial control was shared between chairman Michael Meyer and Brian Dinham.

Cutler, 43, said yesterday that the move would lift some of the burden from Meyer who has been in the front-line in the £30m battle for Rotaflex. It may also prove a useful defence to Rotaflex's persistent criticism of Emess's growth record and the treatment of recent acquisitions in its annual accounts.

In his last post at UKO, Cutler found himself under siege from a (successful) bid by Suter, the electrical and engineering group. And before that, he spent four years at Compair until it was sold by I. C. Gas to Siebe, another engineering group hungry for acquisitions.

Twice bitten, Cutler is certainly not shy of working now for a predator.

Enterprising

Some of the pitfalls of stimulating an enterprise society were disclosed yesterday by Bryan Nicholson, chairman of the Manpower Services Commission.

There is a "tremendous groundswell of enterprise" in Britain, he reported—and confessed that the initiative shown by some entrepreneurs had even taken the MSC by surprise.

The Commission found that its enterprise allowance scheme—which encourages unemployed people to start their own businesses by paying them £40 a week for a year—was supporting a "profession that is, shall we say, quite elderly."

Among the first applicants was one who wanted to set up a health studio which, according to the MSC, later turned out to be "a seedy massage parlour," and another applicant turned out to be a stripper.

Both were given the £40 allowance initially—but it was swiftly withdrawn when the real nature of their business was discovered.

Personal touch

News of a worldwide link-up by 20 small and medium-sized accountancy firms will not exactly have the giants of the industry quaking in their boots, but at least the inauguration ceremony provided a platform for a few barbed comments from some of the profession's lesser-known names.

Spearheading the new umbrella organisation, SC International, is the UK accountancy firm Saffery Champness, whose 26 partners and a total staff of around 200 are dwarfed by the big international partnerships. But, with a strong contingent of well-heeled, long-established families on its client list, Saffery claims it probably deals with more acres of land than any other accountancy firm in the UK.

The growing international activities of these and other clients is one reason for the formation of the grouping, which gives its members the chance to swap international business amongst themselves and avoid handing it on a plate to their bigger rivals.

Michael Dawson, Saffery's chairman, said the new association differed from those of a similar size and provided "an alternative to the Big Eight, Nine, Ten or however many there are these days."

A number of the firms in SC International, he disclosed, contained partners who had "rejected the concepts of the Big Eight and have specifically refused the overtures of those firms to join them."

"In addition, we have avoided and will attempt to continue to avoid the pitfalls of the larger firms, which tend to act like machines, preprogrammed and rather impersonal."

Song of praise

Lord Marshall, chairman of the Central Electricity Generating Board, displayed a surprising Gilbertian talent when bidding farewell to his retiring deputy chairman, Fred Bonner, who has served the industry since the days of Lord Citrine, the Board's first chairman.

In a lengthy poem in the CEGB's house magazine, Marshall paid tribute both to Bonner's length of service and to his legendary ability to balance the books by always producing something from his "bottom drawer."

The first verse gives the flavour:

In early years, when Citrine reigned,
I was the sole accountant.
I balanced books and added sums
For engineers were paramount.
The unions were full of praise
And acted very passive
For once a year, full of amaze,
They got a pay rise—massive.
I learnt the law that I'll maintain
Until my retiring day Sir,
That whoso'er may chair the Board,
I'll keep my bottom drawer Sir.

High-flown

Acronyms can be dangerous—as Dr Robert O'Neill, director of the International Institute for Strategic Studies, discovered last week. He was enthusiastically describing the Institute's new computer system. "And the best thing about it," he said, "is that it's ICBM-compatible."

Observer

Letters to the Editor

An opportunity for developing the Community

From Professor D. Harvey

Sir,—The assumption of the chairmanship of the EC Council of Ministers by the UK presents an opportunity for the development of the Community. This may seem curious given the perilous state of the Community, especially in the budget and CAP arenas. The CAP appears to guzzle funds with no thought to their provision, and to be almost totally resistant to the various diets on offer. Until and unless the voracious appetite of the CAP can be curtailed, what hope is there that the member states will agree to increase the budget so as to be able to maintain spending on other more acceptable programmes, let alone introduce new ones?

It has been suggested that the only solution is to "nationalise" the CAP. Certainly it is a peculiar feature of the CAP that it is the only European policy which does not require direct participation or matching contribution by the member states. Reconciliations of these conflicting pressures may be possible.

Why not raise additional funds from the member states to cover at least a part, if not the whole, of the market support. It could also encourage basis of their national shares of production of the CAP commodities? This would amount to partial nationalisation of the financing of the CAP, and would free current budgetary resources for other programmes. These, in turn, could be used so as to offset the worst effects of the redistribution of the CAP financing on the poorer member states.

Direct national responsibility for the financing of the CAP on the basis of production shares would encourage both national governments and their farm ministers to curb policies and programmes which promote additional (and expensive) farm production. It could encourage the substitution of structural support and direct payments for unsustainable market support. It would also encourage the further development of limits to the entitlement to market support. At the very least, it should succeed in concentrating some minds and encouraging some dieting.

Agreeing to eat at the same table and from the same menu does not automatically require that the diners agree to divide the bill regardless of their appetites. "Going Dutch" is preferable to eating alone, and is even becoming fashionable in some quarters.

(Professor) David R. Harvey.
Department of Agricultural Economics and Management, The University, Whiteknights Road, Reading.

Lawyers cling to old rules

From the Chairman of the Bar.

Sir,—It is sad that your leading article (June 2) should so unworthily and inaccurately denigrate the Bar conference and our attitude to change. May I briefly set the record straight?

The conference was not concerned to counter criticism of the divided profession. It was held because of the rising pace of developments in the law, in response to the wish of our members, and to play a part in debate on topics of current importance. Fair - minded observers and participants think it achieved this purpose.

The Bar did not attack proposals for change designed to make the administration of justice more efficient. On the contrary, one session was directed at the changes in commercial change procedure following the commercial court committee report in which the Bar played a major part. These are designed to simplify trials and lessen delays. In another session, there was approval of many of the changes proposed by the Roskill committee to make investigation and trial of fraud more effective. The Bar is most anxious to play its part in reducing delay and keeping time spent in court to the minimum necessary for a fair trial.

The Bar does not suggest it is more specialist than solicitors across the board. We simply seek, from vocational education and pupillage onwards, to concentrate on advocacy and advice in regard to litigation.

You mention that much has happened since the Royal Commission report on legal services. This is the standard argument of those who regret that its proposals to fuse the legal profession were unanimously rejected. It is always convenient to brand a disliked conclusion as out of date. What you do not mention is that the Court of Appeal has recently stressed in strong terms the importance of a small, restructured body of specialist advocates. The judges are concerned to ensure that cases are presented efficiently.

What are their needs?

Lord Justice May put it clearly: "I think it is essential that those who act as advocates in our Courts, particularly in the higher courts such as the Crown Court, the High Court and above should be members of a profession or professions subject to a strict code of discipline and etiquette and who have been thoroughly trained and practised in the skills of advocacy, in the proper and expeditious conduct of litigation and in the law. One of the most important factors tending not only to the just, but also to the swift determination of litigation which is so desirable, is that those who act as advocates for the litigants concerned have been thoroughly trained and are indeed adequately experienced to do so."

Robert Alexander, QC.
11, South Square, WC1.

Seventeen speakers at sea

From Mr K. Holland.

Sir,—On the Management Page of May 20 John Kirkman highlighted the failings demonstrated by all but three of the 20 speakers at a conference expressly convened to proffer advice and information on management.

I have found that the type of situation Kirkman described is not unusual. One can find parallels in journalistic writing, in radio and TV and other areas of our lives.

The fault surely springs from a lack of sound basic 3Rs training coupled with a lack of self-discipline, and our schools and universities — as our recently deposed Minister for Education knew very well—must take a major blame for it. For at least two decades youngsters have been growing up with the idea that how one writes and/or speaks is not important (who now really cares about grammar?). The corollary is that we now have people in responsible positions who simply do not see the error of their ways.

I have found that all but a very few letters received from business houses — most from senior or middle management — contain grammatical errors or clumsy sentences. The writers did not set out to be confusing or clumsy; they thought they were being polite and helpful.

I have also found that letters I have received from central or local government offices have been generally superior in grammar and phraseology to the business ones. (Is it that the "best" academic types still come to rest in the public services?)

Apart from presenters (many capable of clumsy phrasing and/or grammatical error) ordinary members of the public are increasingly invited to comment in radio and TV programmes. We, the public, spread by example inept phrasing, pronunciation and grammatical usage — all increasingly become acceptable (largely because no one dares to correct the speakers, or perhaps because no one now knows what is and is not correct).

My wife thinks that there is not enough to say about "management" as such, to supply 20 speakers over two days. In her view, "management" is a matter of sensitivity, of "doing one's homework," of self-discipline, of sound 3Rs training in one's early years plus adequate real (as opposed to theoretical) on-the-job training. Then, fully armed, most of us—as Kirkman so rightly says—can aspire to competence which is all that we really require for most purposes, especially in business. The cult of entrepreneurial brilliance is largely a myth.

K. H. Holland,
Sea Whins, Trench Point, Campbeltown, Argyll.

League tables of Universities

From the Principal and Vice-Chancellor, University of Stirling.

Sir, — On May 24, Michael Dixon offers a league table of British Universities based on three sets of figures: the recently-announced University Grants Committee grants for 1986-1987 and two measures based on the destinations of graduates, produced by Professor Taylor of Lancaster. The table is accompanied by a lengthy article, most of which quite properly draws attention to the extremely shaky assumptions on which the table is based. All caution is, however, thrown to the winds by the choice of heading: the table is boldly called "Degrees of excellence."

In fact the table is nothing of the kind: it is a largely meaningless exercise whose publication simply diverts attention from the full and fair scrutiny which British Universities so badly need if their problems are to be understood.

Let us consider first Professor Taylor's figures. When these were originally reported, Professor Taylor noted that "these two indicators should be treated with considerable caution." He went on "it would . . . be quite wrong to attribute differences (in the figures) between Universities to differences in the quality of graduates or to differences in the quality of training they receive" and he cites other factors such as the location of the institution. He also noted that his two sets of figures lead to different conclusions: "Universities which perform well on one indicator often perform badly on the other." We see then that Professor Taylor's figures are not a measure of "excellence" and also that adding them together is meaningless.

The third set of figures is the UGC allocations for next year. There are good grounds for supposing that these, too, are not a good measure of "excellence." Although a consideration of various performance measures certain-made up one input to the UGC, it is clear that the allocations which emerge are the result of many factors, most of which have little to do with "excellence." Among these, it is possible to see the effects of size, subject mix and (again) location, in which the smaller northern nontechnical Universities have done relatively badly.

The caveats which Michael Dixon made in his article were all too justified; his table could be compared to an attempt to rate newspapers according to their quality but which did not disclose that amongst several determinants of the ratings awarded was circulation, for example FT 240,493 and Sun 4,125,475. It is unfortunate that Michael Dixon paid no heed to his own and Professor Taylor's caveats. Had he done so, we should have been spared the publication of a spurious table which can only do further harm to already hard-pressed institutions.

(Sir) Kenneth Alexander.
Stirling, Scotland.

Computervision and Medusa

From the President and Chief Executive Officer, Computervision.

Sir,—The article "Computervision may look at sale of Medusa software unit" (May 28) bylined by Peter Marsh is grossly misleading and runs completely contrary to the statements I made to Mr Marsh during our detailed discussion. During that interview I stressed three points: our ongoing firm commitment to Cambridge Interactive Systems, the important financial and marketing benefits that accrue to both CV and CIS, and the clarity of the product positioning between CADDS 4X and Medusa software. Virtually all of my comments were ignored, therefore, let me repeat my major points — we have no intention of selling our CIS operation.

In addition, the assertion that we are in need of cash is completely invalid. As stated in our first quarter shareholder's report, we have $54m of cash on hand and therefore reduced our line of credit from $100m to $50m, because we don't expect to access that available credit. Overall, we have improved our financial position for each of the past four consecutive quarters and the US financial analyst community has been positive about the company in recent months.

Regarding our relationship with CIS, the following points were made to Mr Marsh that either did not appear in the article or need to be repeated. Regarding confusion between CADDS and Medusa — I differentiated the types of customers for CADDS 4X and Medusa and stated that although some of our customers use both products, seldom do the products compete head to head. Medusa runs on the popular VAX line of computers, giving Computervision a product for companies that have a strong appetite for VAX computers. The CIS relationship is so important, that they are one of five companies that have a special co-op marketing arrangement with Digital Equipment Corporation. We have invested heavily in growing the CIS operation. Through CIS's association with Computervision, it now has access to the entire North American market (and indeed the worldwide market) that it did not have prior to the acquisition. Medusa sales worldwide will represent about 20 per cent of our total product revenues this year, and they continue to be an important source of income for the company. We formed a dedicated Medusa salesforce to give product and market focus, not to "put CIS in good shape for a sale" as Mr Marsh contends. Furthermore, our CIS operations in the US are based in Bedford, Mass., not in Chicago.

One final point of fact Computervision currently has 4,400 people worldwide, not 2,130 as stated.

Robert L. Gable.
100 Crosby Drive, Bedford, MA 101730.

Fortunate to do business

From Mr P. Tray

Sir,—Mr K. J. Gardner (May 29) is indeed fortunate in only being unable to do business on four days in May.

Our experience is that the Germans are now even more efficient bridge-builders than the Italians, so that with May Day, Ascension Day and Corpus Christi falling on Thursdays, our German friends took the Fridays off as well. Adding in Whit Monday, and our Bank Holidays on May 5 and 26, that makes nine lost working days. But then quite a few UK works were closed the whole of the week May 26-30. Surely a new twist on the old adage "sell in May and go away" would be just to go away—since your chances of selling anything are pretty remote.

Peter H. Tray,
Cuffing Alloys, Victoria House, Southampton Row, WC1.

Full membership of the European Monetary System

From Mr P. Robson

Sir, — Yes, the dilemma is real (Samuel Brittan, May 29); but it is not the same inside as it is outside the European Monetary System. In fact it is better not to have a floor in the present circumstances — which you have to defend or abandon — when pressures — for whatever reason—build up. Sterling's movements against the D-mark might have been reduced within the EMS, but the disruptions to domestic economic policies and the distortions to the domestic economy would have been far greater without the ability to let the exchange rate take at least part of the strains of speculative activity.

Of course other EMS currencies have had only modest realignments — they are all relatively minor currencies, some have been protected by exchange controls and all fit quite easily into a D-mark bloc. Sterling—an international investment currency in its own right — would not. Of course, there were no realignments between 1983 and 1985; it was the period of dollar strength.

Joining the EMS might not change the fundamental forces acting on sterling but it would change the market's perception of the nature of a speculative attack.

A forced realignment would have costs in addition to whatever devaluation resulted; you cannot at the outset be certain whether you can or should sensibly resist or not; so you suck it and see; you may have to raise in terest rates, borrow reserves to pursue intervention, tighten fiscal policy, impose import surcharges or controls or whatever change of polices "remedies distrust" and you have been blown off course by a purely speculative attack by "hot money" movers. A great way to run an international currency in a generalised floating exchange rate world.

Six per cent per annum would not necessarily equate to the interest differential required to stop capital outflows because the speculator who expects a 5 per cent devaluation could actually afford to run a loss of 6 per cent per annum for as long as 300 days before the capital benefit of a 5 per cent change was extinguished.

Of course the merit of being inside the EMS would be the discipline imposed over the management of the currency and the pressure this would provide to help maintain the Government's main success — its anti-inflationary policy. Despite the great improvement (from the national viewpoint) in labour relations, wage costs are still rising about twice as fast as retail prices and up to six times faster than those of our major competitors. The constraints of the MTFS and on interest/exchange rate actions in a floating rate situation have been critised enough for restricting growth and keeping unemployment high in the near term. To change from that relatively flexible approach to the hold-or-break discipline of a fixed-but-adjustable EMS peg would really concentrate the domestic (as well as the international) economic argument on to the exchange rate (and if ridiculous and excessive attention has in the past been paid to the £/$ rate, how much more ridiculous and excessive would it be in the future over the £/D-mark rate).

Peter Robeson.
Tolehers, Happisburgh, Norwich, Norfolk.

BRITAIN'S TRADE UNIONS

Life beyond future shock

By Philip Bassett, Labour Editor in Scarborough

"PERHAPS THIS week we can feel and express real hope for the future." John Edmonds, leader of the GMBU is this week striking a note of optimism long absent from Britain's beleagured trade unions. Partly, it is because Labour is riding high in the polls, and the unions scent for the first time since the late 1970s the possibility of a friendly government in power; but also it is because the unions are now trying to haul themselves away from what has seemed an inevitable long slide of decline, towards the future: new jobs, in new industries, providing new members.

Initially, the move is being made by the General, Municipal and Boilermakers Union in its conference at Scarborough—but what the GMBU is trying to do carries implications for all of the UK's 91 unions.

Trade unions tend by nature to be reactive, responding to events—a pay offer, a closure, a package of redundancies, a slow collapse in membership. John Edmonds, the analytical, energetic general secretary of the GMBU, is determined to change all that. "So many of the comfortable industrial landmarks have gone—some of them for ever. We have to prove the worth of the trade union movement to people who have been brought up to be sceptical of every statement we make."

More than most union officials, Oxford-educated Edmonds has tried to look to the future. He has not much liked what he has seen: sharply declining employment in traditional industries; more jobs in areas hostile to or difficult for trade unionism; over-stretched, shrinking unions, retreating into sterile internal arguments; the steady rise of non-union companies.

Immediately upon taking over as head of Britain's third largest union from David Basnett in January, Edmonds commissioned a study of future employment trends. The premise was simple enough—to find out where the new employees will be; then target accordingly a recruitment drive—theory, aims, ambitions, organisation.

The findings of the study, Employment Projections and the GMBATU, produced mainly by Alan Cave, the union's head of research, are remarkable. The unpublished study is the hidden agenda behind this week's GBMU conference, and further, is a warning for all Britain's battered unions.

Based on computer projections carried out for the union by the University of Warwick, and assuming more or less unchanged economic policy until the end of the decade, including a moderately tax-cutting budget again next year, economic growth of about 2 per cent over the period and a tailing off in the large productivity increases of the early 1980s, the study forecasts marginally higher unemployment by 1990.

The table shows the report's broad conclusions about sectoral employment. Within those wide areas are some particularly sharp falls: 18.4 per cent in coal mining, 27.9 per cent in oil; 20.5 per cent in motor vehicles, 26.1 per cent in tobacco.

Services are the only real growth area: 11.2 per cent in insurance, 10 per cent in the health service, 17.1 per cent in general services, including hotels, restaurants, leisure and garages. In job terms, the study forecasts a net increase in the six years from 1984 of 263,000 jobs in professional services, and 539,000 in other services. Linked to this, and partly stemming from it, is the job decline in the old industrial areas, and the job growth in the new and market towns of the south.

But what sort of jobs? More jobs for women (male employment will fall, according to the union, by 600,000, while women's will rise by about 400,000), more part-time work (full-time jobs will fall by 1.1m, part-time jobs will rise by 900,000).

Manual jobs will decline by 409,000—a 25 per cent reduction in labourers, an 11.5 per cent cut in semi-skilled workers. Non-manual jobs will rise by 553,000—24 per cent growth in white-collar workers' supervisors, 12 per cent each in the number of managers, health professionals, engineers and scientists.

Like most unions, since 1979 the GMBU has lost members: even picking up 120,000 through mergers, the union has seen its membership fall from 965,000 then to 827,000 now. The survey's findings spell further bad news for the union. Many of its members are in sectors where employment will fall: most are manual; a higher proportion are in Scotland and the north.

For the GMBU, for all unions, facts like these are hard to face. The remarkable thing about the GMBU's report (apart from its being done at all by a UK trade union) is that the union is trying to face them.

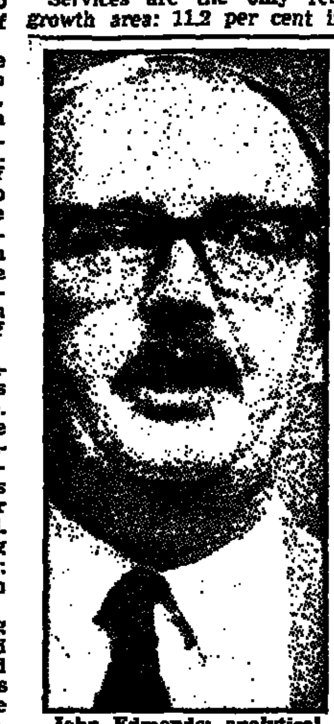
Edmonds this week launches a GMBU campaign to promote unions as champions of individuals' rights — eschewing what he sees as the special pleading unions have often been seen as making for themselves, rather than for their potential or actual members. Enhancement of individual opportunity is in his view political high ground he believes the Conservatives have unwisely been allowed to take.

It is the first big step towards trying to organise what he calls a new class of exploited workers." But Edmonds is aware of the scale of the problem, that there is now no automatic identity of interest between trade unions and working people; he knows that to female part-timers working in the service industries, unions are distant, male, and concerned with problems which have nothing to do with them. He says: "The old model of a negotiating man's union, dispensing from above policies, bargaining solutions and the maintenance of a well-oiled procedural machine, has to go."

What Edmonds is certain unions cannot do any longer is to promise what they have been unable to deliver: an end to low pay, and the prevention of job losses. In place of such no longer plausible pledges will have to come a new form of trade unionism, trying to draw together isolated, fragmented groups with a programme of demands for individual-level changes: fair wages, secure employment, equal treatment for women, healthier and safer workplaces.

That will mean a significant change in Labour Party and TUC thinking on employment law, away from the collective more towards the individual. In the unions it is a change Mr Edmonds is already effecting; in the party the union's high-powered team of sponsored MPs — including such senior Labour figures as John Smith, Jack Cunningham and Gerald Kaufman — will ensure in the party's focus it implies will be enacted.

Trying to organise hard-pressed, insecure employees in hotels, or fast-food chains, "where industrial relations is meaningless" is a vast objective. But it is, for many unions with no specialist skill base in areas like electronics the only option. For the GMBU, and for Britain's other unions, its survey gives them the raw, unnerving information. Not necessarily precise, but close enough, and better than nothing - the usual. As the report concludes its findings are "an imperfect science. But it is better than flying blind."



John Edmonds: analytical

EMPLOYMENT CHANGE 1984-1990

Primary industries	3.8	3.3	−0.5
Manufacturing	23.6	21.3	−2.3
Construction and utilities	7.7	7.7	—
Transport, communication and distribution	20.7	20.6	−0.1
Professional and miscellaneous services	22.6	25.8	+3.2
Social Services and Public administration	21.6	21.4	−0.2

Source: GMBU internal document

FINANCIAL TIMES

Tuesday June 3 1986

Big stink over green garlic and red tape in China

By Robert Thomson in Peking

CUTTING red tape in China, where bureaucracy has got the better of the masses, has suddenly become a prime government concern, to the surprise of Peking's paper shufflers who now find they are being held accountable.

Among a series of cases highlighted last week in an attempt to overcome bureaucratic blockages that have hindered economic reform, six state planning commission workers were publicly praised for revealing that a plan for a machinery project passed over the desks of 39 people before approval was given.

But the most disturbing case for the desk-bound decision-makers is a court action involving 1.5m kg of green garlic, 200,000 kg of chinese cabbage, cotton padded quilts and three bureaucrats.

Chairman Mao was so incensed by what he considered was a self-serving and stultifying bureaucracy that it played a part in the launch of the cultural revolution in 1966. The present, pragmatic Government has embarked on a less chaotic campaign.

Three officials of the Peking-based Nanyuan refrigerated food plant and wholesale store are on trial for neglecting their duty, though the allegations amount more to a case of gross business ineptitude. Nevertheless, under the rough justice of Chinese law, the three are liable to jail terms of up to five years.

They are said to have been responsible for the ruining of vegetables worth Y303,000 ($95,000). The three apparently ordered 1.5m kg of green garlic plants, even though the store could not hold that much. They compounded the mistake by storing the vegetables at the wrong temperature.

They are alleged to have kept the price of garlic plants so high that the market would not touch them. Their mistakes became apparent in late January, eight months after the purchase, when the stench of leaking juice overwhelmed workers at the plant.

The officials are also accused of storing 200,000 kg of Chinese cabbage in mid-winter without covering the vegetables with the cotton-padded quilts that most Chinese use to stop the cold from ruining produce.

The unfortunate three are now victims of a "public example" exercise by a Government that thinks nothing of pillorying people for the sake of getting its point across.

Their case reveals only one flaw in what is a much flawed campaign. An abiding problem is the unwillingness of cadres to make decisions on subjects that fall outside a rigid and regular pattern, and their willingness to pass the Yuan by using phrases such as "according to our regulations."

A major fault is the long-standing government policy of punishing those who depart from the norm – so, there has been little encouragement for creative decisions, despite the necessity of creativity under the economic reforms.

Hence the loud government applause in recent days for the six planning commission workers who wrote an outspoken letter condemning the bureaucratic ills of their organisation.

They told how a proposed machinery project plan was considered by 39 people and took 88 days to be approved, while the average document travel time for a construction project is 58 days, and document loss along the way is commonplace.

The six lauded workers said blurred lines of responsibility, poor management skills and the inclination of some cadres to seek power "instead of speeding the country's construction," all contributed to the problem.

It was not revealed how many pairs of hands the workers' letter passed on the way to senior party officials.

China's first plastic money, Page 4

Allied-Lyons in C$5bn suit over Hiram unit

BY BERNARD SIMON IN TORONTO

ALLIED-LYONS, the British food and beverage group, yesterday launched a C$5bn (US$3.62bn) legal suit in Canada to compel the new owners of Hiram Walker Resources to implement the planned sale by Hiram of its liquor business to the British group.

Reaffirming Allied's determination to press ahead with the deal, the group's chairman, Sir Derrick Holden-Brown said in Toronto: "It is wholly unreasonable to expect us to stand idly by while hostile attempts are made to frustrate our binding agreement to acquire the spirits and wine division of Hiram Walker."

The legal action, involving five separate claims, was brought against Olympia & York, the Canadian real estate and resources group, and its subsidiary, Gulf Canada, which took control of Hiram six weeks ago after a fierce take-over battle. Hiram had agreed to the C$2.6bn sale of its liquor business to Allied in March as part of its defence against Gulf's bid.

Since taking control of Hiram and replacing most of the group's directors, the Canadian companies have moved to reverse the sale and have launched two court actions seeking to invalidate the agreement with Allied.

Allied's legal counter-attack appears to have been spurred mainly by Hiram's decision 10 days ago to withdraw its application to the US authorities for anti-trust clearance of the sale.

Allied has asked the Ontario Supreme Court to order Hiram to perform immediately all its obligations under the sales agreement or to allow the British company to carry them out on behalf of Hiram. In addition, Allied is seeking damages of C$4bn from Gulf, O & Y and a number of directors and officers of the two companies. Allied's chairman said this figure represented his company's "best estimate" of damages incurred by the group, although he did not elaborate.

Allied has claimed a further C$1bn in punitive damages, and unquantified compensation for the costs of delaying the transaction.

Sir Derrick held out some hope of an out-of-court settlement. "We are prepared to listen to what the other side has to say," he said, adding that preliminary contacts had been made last month with Hiram's new proprietors.

But he affirmed Allied's determination to acquire Hiram's liquor interests, which include the Canadian Club rye whiskey, Ballantine's Scotch and Courvoisier cognac brands.

IAEA seeks big increase in safety checks on N-plants

BY DAVID FISHLOCK IN GENEVA

THE International Atomic Energy Agency (IAEA) is seeking approval from its member states to expand greatly its nuclear safety investigations following the Chernobyl reactor disaster in the Soviet Union.

Dr Hans Blix, director-general of the agency, said yesterday that he believed the IAEA could increase its number of inspections, which are carried out on a voluntary basis, from about four to 20 a year. This would help to reassure nuclear nations and their neighbours about the safety of their power plants.

Dr Blix, giving the opening address at the European Nuclear Congress in Geneva, said he thought the agency's 100-plus member states would agree to the stepping up of voluntary inspections, although most would not yet accept obligatory investigations. Member states would have to approve a big increase in funds for the extension in the agency's operations, he said.

Dr Blix, who led the agency's team invited to the Soviet Union after the Chernobyl explosion on April 26, said the safety inspections would be more demanding than the safeguard inspections made by the agency under the terms of the international Non-Proliferation Treaty.

Signatories to the treaty who do not have nuclear weapons are obliged to open their nuclear facilities to inspection by the agency. These inspections take about two weeks, while safety inspections could take months.

Dr Blix said the agency's safety inspectors had already warned one country that its research reactor was not safe enough. He did not disclose the name of the country, because the reports are made in confidence.

Dr Blix urged the drawing up of international rules which could further reduce the risk of nuclear accidents. However, such rules, which would contain minimum safety standards, should not relieve national governments of their responsibility for nuclear safety. At present, there are no internationally agreed rules.

Nuclear energy was "not a luxury we can drop like a garment," Dr Blix said. It was a reality we would continue to live with. Many more facts about Chernobyl would become available, allowing the nuclear industry "to assess better the scope of the accident and place it in proper perspective."

He said a sense of proportion was needed about the accident, which was comparable in scale to the football ground accident at Heysel stadium in Belgium a year ago in which 38 people died.

Nuclear power would be here for a long time, and it followed that safety standards had to be high throughout the world, Dr Blix said. Measures had to be taken to make sure the consequences of a nuclear accident would be limited.

Soviet delegates to the congress, which is organised by the European nuclear industry, announced last week that they could not attend because they were too busy preparing a report on the Chernobyl accident for the agency.

However, the Soviet Union is represented at the accompanying trade fair by Atomenergo, the Moscow nuclear export agency.

The IAEA plans to hold a review of the events at Chernobyl when it receives the Soviet report. The review will take place in Vienna, perhaps as early as mid-July. The Soviets will make technical representations and allow questioning by foreign experts.

Details, Page 3

Cadbury sells part of Canada Dry after takeover

BY LISA WOOD IN LONDON

CADBURY Schweppes, the UK-based soft drinks and confectionery business, is paying $230m for the North-American-based Canada Dry and Sunkist soft drinks businesses owned by RJR Nabisco, the US food and cigarettes concern.

Under a separate agreement, however, Cadbury Schweppes will immediately recoup about $90m by selling the Canadian bottling business of Canada Dry to Coca-Cola, the world's largest drinks company. The deals are subject to regulatory approval in the US and Canada.

The acquisition of the Canada Dry brand name, licensed to bottlers in 76 countries, and existing rights to the Sunkist brand, will lift Cadbury Schweppes' share of the huge US soft drinks market from an estimated 0.6 per cent to 3.7 per cent. The acquisition will also almost double Carbury Schweppes' share of the 100bn litre worldwide soft drinks market from 1.6 per cent to 3.4 per cent.

The deal is a further consolidation in the $30bn-a-year US soft drinks industry dominated by Coca Cola and its arch-rival Pepsi Cola. It also marks further co-operation between Coca Cola and Cadbury Schweppes which last year agreed a joint venture for bottling, canning and distributing their respective brands in the UK.

The Sunkist brand name is licensed from a Californian citrus company.

Cadbury Schweppes is to finance the acquisition, which is subject to shareholder approval, out of existing facilities combined with the issue of 35m new shares in Cadbury Schweppes, conditional on the deal going ahead, to raise £54m. The shares were placed yesterday at a price of 155p, just below the market price for Cadbury shares, which closed unchanged last night at 160p.

Unaudited management estimates put sales of the Canada Dry and Sunkist businesses last year at $240m and trading profits (before amortisation of intangible assets and exceptional reorganisation costs) of $19.7m.

Cadbury Schweppes has been advised in the deal by Kleinwort Benson and Hoare Govett.

Lex, Page 22

THE LEX COLUMN

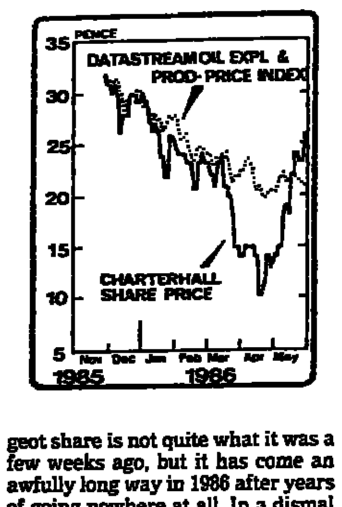
Mixing it in Canada

After Cadbury Schweppes' experience in North America last year shareholders may well wonder why they should approve another acquisition there. At first glance buying Canada Dry to gain third place in the US behind the two cola giants, might look as appealing as fighting Hershey and Mars in confectionery. Cadbury cannot claim that dominance of the mixer market is its objective for fear of anti-trust intervention. The argument must be that buying more brands to complement Schweppes and increase worldwide market share is part of the grand strategy of sticking to two businesses and managing them better.

It should not be hard to unravel some of the mistakes Canada Dry's most recent owners have made. Simply having a parent committed to the business for a settled period should be enough if Canada Dry's existing management is as good as Cadbury believes. Sunkist is a tougher proposition and does compete directly with Pepsico and Coca-Cola's orange drinks, but is practically a free gift with Canada Dry. As long as Cadbury remains determined to walk away from it if negotiations with bottlers and growers fail, Sunkist should not cause any damage.

Nor should the price upset shareholders. After selling the Canadian bottling business to Coca-Cola, Cadbury is putting a multiple of 12 on low-taxed earnings so there should be no dilution this year. There is about £75m of goodwill in the deal which Cadbury will write off, and yesterday's £54m placing goes some way to balancing that, leaving net gearing low enough to allow another deal or two.

The real question lies over Cadbury's management, still on probation with investors. This deal, with the sale of the foods and hygiene businesses, and the UK bottling joint venture with Coca-Cola, looks sensible and the success of yesterday's placing suggests some forgiveness. But until Cadbury demonstrates it can manage businesses as well as buy them the shares are unlikely to perform.



Peugeot

Just possibly, Chrysler may have been a touch greedy in waiting for the Peugeot results before cashing in its 12½ per cent stake. Like the rest of the French market, the Peugeot share is not quite what it was a few weeks ago, but it has come an awfully long way in 1986 after years of going nowhere at all. In a dismal perspective stretching back to 1978, Chrysler must see the chance to extract $235m as almost too good to be true. Mutual weakness has turned to something remarkably like shared success, a condition in which Peugeot and Chrysler must both feel happier without the other.

The Peugeot figures were by any standards extremely good: after five years in the doldrums, Peugeot is now cleaning up in its home market and is set to make real money in the current year – maybe as much as FFr 3bn compared with the FFr 550m just reported. Peugeot is well-understood to be an interest-rate stock, which has to some extent underwritten the strong market in the shares this year. It is also a management story, in that the right things appear to have been done to the cost base while the model range looks better organised than for years past; it has done Peugeot no harm at all in the financial markets to manufacture a zippy small car that the *jeunesse dorée* is willing to drive.

Charterhall

There is new hope for investors in the UK oil and gas industry. What might look, to the unimaginative, like a heap of collapsed equity and unusable assets is really a pearl of great price to Second XI Australian entrepreneurs with a reputation to make overseas.

Charterhall has been imaginative. Rather than plug away in the hope that a rising production price would somehow cover debt repayments and licence commitments, it has recognised that its assets today are worth between nothing and not very much. However, it has found Mr Russell Goward, an Australian protégé of Mr Ron Brierley, ready to put up nearly 15p a share, or the £10m in Charterhall debt, for half the company and control. The market added 3p to the Charterhall share price, to 29p, in appreciation of Mr Goward. This was a modest response by Australian standards: the price of Westmex, Mr Goward's shell company, has risen fivefold in the four months since his arrival.

What Mr Goward is up to is anybody's guess. To say that Mr Goward has background in oil and gas is like saying Westmex, which has 95 per cent of its assets in cash, is a minerals exploration company. It is hard to see investors in Westmex, who have been promised a total return of 30 per cent on all investments, going hell for leather for $15 North Sea oil.

Mr Goward may well wish to preserve some gearing to the oil price but the premium to asset value would seem better justified by a quoted UK springboard for forays into every area of the equity market.

Allied/Hiram

It can only have been the brush with Mr Elliott that transformed the character of Allied Lyons, from politely conducted English brewer to tough North American litigant. But the attempted frustration of Allied's Hiram Walker drinks acquisition – following a subsequent takeover of Hiram's parent by Gulf Canada – has resulted in Allied's claim for an impressive total of C$5bn in damages.

In the event of an Allied victory, Canadian justice will perhaps fall short of awarding the entire sum, though a US court found not so long ago that Texaco should pay even more ferocious damages to Pennzoil. But the spectacle of UK companies demanding punitive damages that run into 10 figures must be a frightening one for takeover regulators back home. Just as well for the Monopolies commission, with Allied in this mood, that all the breaks in the struggle against Elders IXL have so far been called in favour of Allied.

Feldstein forecasts substantial $ fall

MR MARTIN FELDSTEIN, former chairman of President Ronald Reagan's council of economic advisers, said yesterday that he believed the dollar would continue to fall and "the cumulative fall below its current level will be substantial," reports AP-DJ from Boston.

Mr Feldstein, addressing the International Monetary Conference, an annual meeting of top commercial and central bankers, said the current level of the dollar still implied a substantial persistent US trade deficit and a rising current account deficit. "That current level of the dollar is simply unsustainable," he said.

"This year the current account deficit will be more than $140bn, adding $140bn to US net liabilities to the rest of the world and therefore about $12bn to the interest and equity income the US must pay to the rest of the world in perpetuity," he said.

"By the end of the decade our current account deficits will have added more than $500bn to US obligations to the rest of the world. The annual cost of servicing this increased international debt will be $40bn a year or more.

"Such a spiral of rapidly increasing borrowing cannot persis."

He warned that investors in the rest of the world would not be willing to finance the combination of massive trade deficits and increasing debt service costs. They had already accumulated a large volume of dollar securities with a corresponding increased exposure to exchange-rate fluctuations.

The interest rate differential that attracted funds to the US was no longer what it was a few months ago, he added.

"Despite the very recent rise in US interest rates, the real net-of-inflation interest rates that will ultimately be realised on US bonds may well be less today than the corresponding real rates in Germany" Mr Feldstein said.

He said that, if the combination of increased exposure to exchange rate risk and the vanishing real interest advantages of dollar securities made foreign investors unwilling to finance an increased capital flow to the US, the dollar would have to fall to shrink the trade deficit and therefore the needed capital inflow. At some point the US must begin to meet the cost of servicing its overseas debt by exporting more than it imports.

Mr Feldstein said he expected that by the early 1990s the US would again be runing a trade surplus.

The most serious adverse effect on world trad eof the over-strong dollar and the US budget deficit that caused it might still lie ahead, he pointed out.

Shevardnadze for arms talks in UK

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

Mr EDUARD Shevardnadze, the Soviet Foreign Minister is expected to pay an official visit to Britain in July for talks with Government Ministers concentrating on East-West relations, arms-control and bilateral trade problems.

The exact dates of Mr Shevardnadze's visit have yet to be fixed, but the long-standing invitation to visit Britain was formally accepted by Mr Leonid Zamyatin, the Soviet Ambassador to Britain, during a meeting yesterday with Sir Geoffrey Howe, the Foreign Secretary.

The Soviet Foreign Minister's long-delayed decision to accept Sir Geoffrey's invitation is a clear indication of Moscow's desire to bring to an end the period of coolness in UK Soviet relations which has lasted since the early autumn of 1985.

Britain's expulsion of 31 members of the Soviet embassy and trade delegation in September last year, and the subsequent retalisatory measures by Moscow, effectively put on ice and invitation which had first been made to Mr Shevardnaze's predecessor, Mr Andrei Gromyko, now President of the Soviet Union.

Mr Shevardnadze's agreement to talks in Britain comes at a particularly tense for east-West relations. The Soviet Foreign Minister clearly hopes to enlist the British Government's help in persuading the US to modify its tough stand on disarmament issues.

If that is his aim, he will have a hard task. Though Sir Geoffrey made it plain at last week's Nato ministerial meeting in Canada that Britain was opposed to any breach by the UzS of the Salt-2 strategic arms limitation treaty, as foreshadowed by President Reagan, he was much more critical of the Soviet Union.

In his talks with the Soviet Ambassador yesterday, Sir Geoffrey repeated his view that the Soviet Union had "a case to answer" as regards US claims that Moscow was guilty of several violations of Salt-2.

The Foreign Secretary also urged the Soviet Union to respond more positively to the Western nuclear and conventional disarmament proposals which had been tabled in various negotiating forums in Geneva, Vienna and Stockholm.

Mr Zamyatin outlined to Sir Geoffrey the latest Soviet arms control proposals tabled in Geneva on May 15. Though they have not been officially disclosed, US officials said that Moscow had offered to begin reducing its strategic nuclear forces if the US undertook to strengthen the 1972 Anti-Ballistic Missile (ABM) treaty and agreed not to withdraw from it for 15 to 20 years.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	20	68	Dubrovnik	S	19	66	Malta	F	24	75	Rhodes	S	28	82
Algiers	S	22	72	Edinburgh	S	17	63	Manchester	C	14	57	Rio de J'o	S	25	77
Amsterdam	F	17	63	Faro	S	22	72	Manila	S	33	81	Rome	F	22	72
Athens	F	24	75	Florence	F	23	73	Melbourne	—	—	—	Salzburg	R	11	52
Bahrain	S	35	95	Frankfurt	C	15	59	Mexico City	S	27	81	San Francisco	C	16	61
Bangkok	S	35	95	Funchal	C	19	66	Miami	C	29	84	Seoul	C	27	81
Barcelona	S	21	70	Geneva	C	17	63	Milan	F	21	70	Singapore	C	31	88
Beirut	S	27	81	Gibraltar	F	23	73	Montreal	[illegible]	13	55	Stockholm	S	22	72
Belfast	S	17	63	Glasgow	C	15	59	Moscow	S	30	86	Strasbourg	C	15	59
Belgrade	F	19	66	Guernsey	C	16	61	Munich	[illegible]	10	50	Sydney	S	20	68
Berlin	F	15	59	Helsinki	D	14	57	Nairobi	—	—	—	Taipei	S	32	90
Biarritz	C	16	61	H. Kong	S	32	90	Naples	F	23	73	[illegible]	[illegible]	23	73
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Tel Aviv	S	29	84
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Vienna	[illegible]	16	61
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Warsaw	[illegible]	8	46
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Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Peugeot to lift capacity

Continued from Page 1

The plans to give Peugeot greater flexibility to boost production capacity up to 2m cars a year to respond to eventually higher market demand and opportunities contrasts with efforts by other car manufacturers to cut production capacity.

Mr Calvet said performance in the first four months of this year had been on target. But he expressed concern over the French car market outlook and sales to developing countries. European sales, excluding France, continued to be strong.

First-quarter sales were 8 per cent higher compared with Peugeot's first-quarter sales last year. Peugeot's sales had increased 9 per cent in the first four months of this year in a European market, excluding France, which had advanced by 7 per cent.

Peugeot's consolidated group sales rose by 10 per cent to FFr 100bn last year from FFr 91bn in 1984. Cash flow doubled to FFr 4.24bn while debts fell to FFr 32.4bn from FFr 33bn. The group plans to continue with its current debt consolidation strategy.

Investments last year rose 48.6 per cent to FFr 5.5bn from FFr 3.7bn in 1984. Mr Calvet said investment would increase by FFr 1.5bn this year to about FFr 7bn. The group's total workforce declined by 5.7 per cent to 176,800 from 187,500 in 1984.

Norwegian gas contract

Continued from Page 1

pressor which is expected to be built in three stages at a cost of NKr 17 ($2.2bn). The pipeline will first link the Sleipner field to Zeebrugge on the Belgian coast, then later connect Troll to Bleipner.

The new pipeline will take gas exports to Belgium and France – 2bn and 8bn cubic metres per year respectively, when maximum deliveries are reached, around the end of the century. Gas for Germany and the Netherlands (8bn and 2bn cum per year) will go through existing Norwegian lines to Emden in West Germany.

The Zeebrugge line will run close to the UK.

FINANCIAL TIMES
Tuesday June 3 1986

Credit Agricole hit by rate fall

By David Marsh in Paris

CRÉDIT Agricole, the French farmers' co-operative bank earmarked for re-organisation by the Government, yesterday announced a 6.4 per cent increase in group net profits last year to FFr 1.31bn ($180.6m).

However, the central organisation which groups together the bank's principal treasury and investment operations, the Caisse Nationale de Crédit Agricole, registered a 50 per cent increase in profits to FFr 560m. With subsidiaries, the Caisse Nationale profit came to FFr 760m.

Mr Jean-Paul Huchon, chief executive and managing director of the Caisse Nationale who is expected to be replaced shortly by the Government, said yesterday that the regional banking network suffered a 21 per cent fall in profits to FFr 546m last year. This was a result of the negative impact on short-term activities of falling French interest rates.

Mr Huchon was widely regarded as a political appointee when he took over in January 1985, but he has already taken important steps towards shaking up the structure of the bank. He is expected to be replaced by Mr Bernard Auberger, a director of the state-owned Société Générale bank.

Insurers ahead in Japan

JAPAN'S 13 major non-life insurance companies lifted combined net premium income, excluding that from savings-type insurance, by 6.8 per cent to Y3,593.5bn ($21.28bn) in the year ended March 31.

The good showing is attributed to a moderate improvement in sales of accident insurance and increased premium income on motor insurance, following a rise in premium rates implemented in April last year.

James Buxton looks at Italian textile group's revival as a prelude to privatisation

Lanerossi cuts its cloth to suit recovery

"I LOOK at it like this: You have a basket of apples. Some are good, Some have bad patches. Others are completely rotten. The first thing to do is to throw out the rotten ones so that they don't infect the good ones. But, as to the ones with bad patches, it should be sufficient just to cut out the bad bits to leave what's good."

This is how Mr Franco Masseroli views Lanerossi, the big Italian textile company of which he has been chairman and chief executive since 1983. It would not be going too far to say that until then Lanerossi was regarded as a very dubious basket of apples indeed.

The company, which has a history as a spinner of woollen yarn dating back to the early 19th century, moved from the private sector to the state sector in 1962 when it was taken over by the ENI group. Though ENI's principal vocation is energy, it was obliged by political forces to go on to rescue other textile companies to safeguard employment in politically sensitive areas. By 1983 Lanerossi was a group of 11 companies with 35 plants employing 13,000 people in textiles and clothing.

Because the Lanerossi group had been assembled with more thought to politics than to economics, from 1974 onwards it lost L200bn ($128m) a year in constant 1974 Lire. The corporate record book shows that, since 1975, the company's capital was written down and new funds injected by ENI each year. Other European textile companies complained bitterly at what they regarded as unfair competition from a company they believed ought not to have existed.

ENI, however, pressed on. In 1978 a major programme to modernise the industrial capacity of the company was launched. But, Mr Masseroli says, the company's managers failed to follow the trends of the textile and fashion markets which did not expand as the corporate plan had envisaged. It was, it appears, a disaster.

ENI only began a period of re-organisation in 1983 when it came under the chairmanship of Prof Franco Reviglio. It was then decided that Lanerossi was not strategic to ENI's purpose as an energy group, and the idea of selling it off to the private sector was raised. But first it had to be restored to health.

Mr Masseroli, a graduate of the London School of Economics, was hired from the private-sector Sanremo textile group to take over the company. The cure he chose for Lanerossi is an interesting example of how to revive a company while keeping within the guidelines of social responsibility laid down by ENI.

Mr Masseroli earmarked three companies for recovery: The original Lanerossi, the maker of woollen yarn and cloth, based at Schio near Vicenza in the Veneto region of northern Italy; its offshoot in Lucania in southern Italy, Lebole Moda, which makes clothes; and Sondrio Cotonificio, a company based at Sondrio in northern Lombardy, which makes cotton yarn and material.

Three other companies, however, were identified as being completely rotten apples and were closed, their premises sold to other groups.

But for a further four companies Mr Masseroli applied an ingenious solution. He believed there was no future for these companies, which made clothes, inside Lanerossi, nor outside it in the highly competitive world of Italian clothing. But to close them completely would have been politically unacceptable.

Instead it was decided to convert the plants and their labour force from making clothes to making other products. They were transferred to a new subsidiary which is owned 50 per cent by Lanerossi and 50 per cent by Ageni, a company set up by ENI to deal with industrial reconversion and job creation.

Under the arrangement Ageni is responsible for finding partners for the companies and converting them to new purposes, while Lanerossi still has to absorb half their losses – but should eventually recover them when it is recapitalised by ENI. The conversion of the companies is already underway: For example a plant at Pescara on the Adriatic coast has given up making clothes and is being converted to the production of sports shoes in collaboration with a footwear manufacturer from Padua in north-east Italy.

Mr Masseroli believes that within 18 months all four companies will have left Lanerossi altogether as Ageni finds new partners for them. They no longer absorb any of Lanerossi's management time, Mr Masseroli says.

"If this were a private-sector company it would have probably liquidated the companies now being converted," he says. "ENI chose a less drastic policy, but one which is not necessarily less economic. It costs a lot to sack people in Italy, and you cannot keep them on state-subsidised lay-off forever. If I'd been handling this problem in a private company I'd have thought seriously of carrying out the same policy."

Thanks in part to what has already been done, the losses of the companies being reconverted have come down from L101bn in 1983 to L37bn last year. The Lanerossi group as a whole has reduced its losses from L84bn in 1983 to L55bn last year, and if the operations to the Lanerossi-Ageni subsidiary are deducted, Lanerossi's "real" losses come down to L18bn, on sales that last year rose 18 per cent to L579bn.

In the four remaining companies, which have 11 plants and employ 7,000 workers, Mr Masseroli has pursued a textbook restructuring operation, about L20bn has been invested in new equipment, and a new L40bn investment plan is going ahead, with the emphasis on labour-saving machinery. A major effort has been made to introduce new products and upgrade designs. The group has become much more market-oriented and conscious of changing tastes. "But it has all been done with management resources that were already inside Lanerossi when I arrived," says Mr Masseroli. "There has been no change of management."

This year the four companies should break even. The next stage will be to sell them off to the private sector.

Borman to quit Eastern

By William Hall in New York

MR FRANK BORMAN, the former US astronaut, says he will resign as chairman and chief executive of Eastern Air Lines when Texas Air completes its acquisition of the Miami-based carrier later this summer.

His departure will mark the end of a controversial period in the history of America's third biggest domestic airline, which has flown from one financial crisis to another for several decades. Mr Borman was brought in to rescue the airline in the mid-1970s and only a year ago was being likened to Mr Lee Iacocca, the charismatic businessman who rescued Chrysler, the troubled US car maker.

Eastern's financial turnround proved short-lived, however, and employees have been critical of Mr Borman's management style.

Its failure to win wage concessions from the powerful machinists' union earlier this year led to the company's takeover by Texas Air, a much smaller concern headed by Mr Frank Lorenzo, who has a reputation as an aggressive cost cutter.

Mr Borman, aged 58, announced his resignation at a private dinner on Sunday. He will continue to serve on the board of Texas Air.

Revlon agrees sale of Technicon units

BY OUR NEW YORK STAFF

REVLON, the US health and beauty products group which was acquired last year by Pantry Pride, the Wall Street corporate raider, has agreed to sell Technicon, its medical diagnostic equipment subsidiary, for $300m.

Technicon, whose diagnostic systems are used for the analysis of blood and other body fluids in hospitals and laboratories around the world, is being sold to a group of investors including Cooper Development Company, based in Palo Alto, California. The agreement provides for a payment of $250m in cash, subject to post-closing adjustments, and $50m of preferred stock. The transaction, which has to be approved by Cooper shareholders, is expected to be completed by July 1.

Revlon is also selling Technicon Data Systems, which markets a broad line of health care information systems, to an investor group led by Mr John Whitehead and Mr Edwin Whitehead and the New York investment banking firm of Donaldson, Lufkin & Jenrette. Terms of the deal, which is expected to be completed within the next two months, have not been disclosed.

The Technicon sales are the latest in a string of disposals undertaken by Revlon.

Bates agency loses Colgate advertising

By Alice Rawsthorn in London

COLGATE Palmolive, the US toiletries and household cleansers manufacturer, has withdrawn its $100m advertising account from the Ted Bates agency after the announcement of its proposed $450m merger with Saatchi & Saatchi, the UK agency.

The merger with Saatchi would bring Ted Bates's work for Colgate – which is spread across several countries – into direct conflict with Saatchi's advertising for one of its largest international clients, Procter & Gamble. Neither Colgate nor P&G was prepared to countenance such a conflict.

Weak rand boosts Anglo American

BY KENNETH MARSTON IN LONDON

ANGLO AMERICAN Corporation of South Africa, the major mining industrial and finance group, has reported record earnings for the year to March 31. The results reflect the weakness of South Africa's currency which has boosted revenue from exports.

Net attributable earnings for the past year – after extraordinary items – amounted to R1.11bn ($300m), equal to 523 cents per share, compared with R817m for 1984-85. The final dividend is raised to 130 cents, making a year's total of 180 cents against 135 cents.

Lower earnings from the group's domestic industrial interests have been offset by the strong income in rands from dollar gold sales and from other export products such as coal produced by Anglo American Coal Corporation which recently announced a 46 per cent increase in pre-tax profits.

High domestic share prices of the group's gold mining investments have also made their impact on Anglo's net asset value. At March 31 this was equal to 7,067 cents a share compared with 4,691 cents a year ago.

● South Africa's Anglovaal mining finance group has announced increased final dividends for the year to June 30 from its gold producers.

Voest-Alpine forecasts profit in 1989

By Patrick Blum in Vienna

VOEST-ALPINE, Austria's state-owned steel, engineering, electronics and trading group, would make losses of about Sch 4bn ($250m) this year but would return to profit by 1989, Dr Herbert Lewinsky, the president and chief executive, said yesterday.

He said losses last year had been revised upwards to Sch 11.8bn – Sch 700m more than previously announced.

The losses were incurred through speculation on the oil markets by Voest-Alpine Intertrading, the group's trading subsidiary, and by unsuccessful diversification.

Holderbank expects improved profits

BY JOHN WICKS IN ZURICH

HOLDERBANK, the Swiss-based international cement concern, expects holding company profits to improve further this year following positive 1985 results in most of its operations.

Last year net earnings of the Swiss parent company, Holderbank Financiere Glarus improved by 23 per cent to SFr 44m ($23.4m). The dividend will be unchanged at SFr 80 per bearer share and SFr 16 per registered share on increased capital.

Dr Max Amstutz, managing director, said group profits should show a "favourable" development this year. Although earnings would suffer from a weak dollar, some 50 per cent of total business being in North and Latin America, this would affect sales rather than profits.

In 1985, consolidated net earnings had risen by 33 per cent to SFr 167m after a 14.2-per-cent increase in turnover to SFr 3.61bn.

Mr Thomas Schmidheiny, chairman, said that, over and above the expected rise in profits, Holderbank's financing ability would be "substantially improved" by the raising of some SFr 206m by the recent issue of 420,000 bearer participation certificates.

Capital expenditure dropped last year from SFr 697m to SFr 537m. This trend will continue in 1986, said Dr Amstutz, the only construction project current being the expansion of the Cementos Boyaca plant in Colombia. The annual total of SFr 200-SFr 250m would thus be accounted for primarily by replacement and rationalisation needs.

At the same time, Holderbank foresees further investment in the form of acquisition and the expansion of existing participations. The group intends to strengthen its position in North America.

IRI cuts losses as recovery continues

BY JAMES BUXTON IN ROME

IRI, the Italian state industrial holding company, whose activities include steel, telecommunications equipment and services, engineering and Alitalia, the state airline, cut its industrial losses from L2,274bn ($1.43bn) to L1,592bn in 1985.

The group has been gradually recovering under Mr Romano Prodi, the chairman for the past 3½ years. Its losses peaked in 1983 at L2,899bn.

Consolidated sales were 9.2 per cent higher at L44,900bn, making IRI one of the biggest industrial groups in the world. Debt increrased marginally from L38,800bn at the end of 1984 to L38,900bn at the end of 1985.

The group's cash flow increased from L1,731bn in 1984 to L3,632bn in 1985, enabling it to cover 43 per cent of its investment of L8,354bn from cash flow. About L4,991bn of this went to a single subsidiary, Stet, which handles both telecommunications services and manufacturing.

During the year, IRI raised L2,600bn through the sale of shares in its subsidiaries. This involved selling shares in banks, Stet and Alitalia where the group's stake fell from 98.7 per cent to 76.63 per cent.

About two thirds of IRI's losses were attributable to Finsider, the steel industry subsidiary.

Paragon decision expected

BY KENNETH MARSTON IN LONDON

PARAGON Resources – formerly BP's Australian mining subsidiary, Seltrust Holdings – is about to make a final decision to go ahead with a mining operation at its wholly owned Temora gold deposit

Sir Ernest Lee-Steere, the chairman, said at Paragon's annual meeting that the new A$16m (US$11.6m) open-pit mine would make Paragon the leading gold producer in New South Wales, and the 12th largest in Australia. Planned output in the first year was at least 45,000 oz of gold and 60,000 oz of silver.

He said proven mineable ore reserves were at 4.5m tonnes, grading an average 2.5g per tonne of gold and 5.4g of silver.

INTL. COMPANIES & FINANCE

Alan Friedman on an Italian bank's plans for a stock market debut

Banco di Napoli taps the bourse

THIS HAS been a rather eventful spring for the state-owned Banco di Napoli, Italy's seventh largest bank and the most important financial institution in the south of the country.

On the positive side of the ledger the bank is about to realise its debut on the stockmarket, raising L500bn ($320m) and thus obtaining long-sought funds to boost its capital base. In addition, Professor Ferdinando Ventriglia, the bank's Naples-born director-general, is *putting the finishing touches to* the bank's first pension fund. Once established the fund will free large sums a year in cash which until now has been *taken from revenues* to pay retired employees.

These two events are extremely noteworthy for Banco di Napoli. On the negative side, *however, mid-April saw the* arrest of Mr Raffaele di Somma, the 63-year-old deputy general manager accused by a magistrate of having knowingly approved *loans to companies* allegedly controlled by the Camorra, the Neapolitan version of the Mafia.

Bank executives are touchy about the accusations against Mr di Somma, who has been dismissed from his job. Two other junior employees have also been accused of involvement.

The feeling inside the bank is that Mr di Somma may have been charged but he has not yet been convicted; that even if he were found guilty this should not be seen as a general indictment of the bank as it concerns at most a handful of individuals; and finally that matters such as the di Somma case invariably have a more damaging impact on the image of a bank located in the south of Italy than would be the case if the same charges were brought against a banker in Lugano or New York.

There may be something in this defensive reasoning, but the truth is that Naples is in the south of Italy and the Banco di Napoli has lost its deputy general manager. Whether he is convicted or acquitted, the damage to image has occurred. The bank stresses that in business terms it has not been affected, either in its loan activity, foreign business or interbank lines. That, indeed, does appear to be the case.

The di Somma matter, for *better or worse, will now run* its course with the judiciary. Back at the bank, meanwhile, Professor Ventriglia would much rather talk about the two *projects which have obsessed* him since he took charge in early 1983—strengthening the capital base, and liberating the balance sheet from pension costs.

The need to recapitalise becomes clear immediately when one considers that at the end of last year the bank's net capital and reserves (at L622bn) amounted to just 1.85 per cent of total credits, a level which is less than a fifth the ratio of other Italian state-owned banks.

Professor Ventriglia's search for fresh capital over the past three years is almost a textbook study of the frustrations of Italy's state banking system. No stranger to politics himself, he *was for 20 years a close associate* of Emilio Colombo, the former Prime Minister, foreign minister and treasury minister. He has been pulling a variety of levers to get Banco di Napoli recapitalised. "I don't like to ask for money from the state," he says with a Neapolitan's distrust of Rome, and then adds: "The State is a lousy shareholder."

The Ventriglia campaign for the recapitalisation of his bank went something like this:

● In 1983, just days ahead of the last general election, he lured an assortment of top politicians to Naples and extracted promises that action would be taken to provide new capital.

Prof Ferdinando Ventriglia: three-year search for fresh capital

● These promises became five separate pieces of legislation, *which by 1984 were reduced to* one bill. The bill died in Parliament without ever being voted on.

● In the autumn of 1984, even *as the politicians were reneging* on promises to the bank, Prof Ventriglia was getting the bank's statute changed to permit it to privatise up to 30 per cent of the ordinary equity and to issue savings shares for a value of up to double the bank's net worth.

In the late spring, Prof Ventriglia's work has yielded something: the bank is going ahead with the issue of 25m savings shares, priced at a nominal L10,000 each plus a premium of L10,000 per share, to yield L500bn. This, notes the professor with a smile, is only one fourth of the amount he is allowed to issue in savings shares. The hint is clear: if the share issue, set for late June goes well, then the bank will be back to the Milan bourse before the year is out, although the recent shakeout for share prices puts a question mark *against this proposed timing.*

Aside from the capital-raising equity offer, Professor Ventriglia's other main achievement has been to create, *almost from scratch,* a pension fund for the bank. "When I arrived in 1983 I couldn't find a pension fund. We were paying thousands of pensioned employees out of revenues. So I became an actuary for a while," he says.

The complete lack of a pension fund meant, for example, that last year, out of L490bn of gross profits, some L199bn went to pensions. Banco di Napoli net profits have been low, not just because banks frequently deflate income in Italy, but because the pensions have been a real drain.

So Prof Ventriglia began making payments into a pension fund shell, taking the provisions out of revenues, and will this year have a fund totalling L1,200bn. The goal is quite simple, to expand the fund for another year or so until it generates, from interest income, enough to cover pensions for the bank, at which point bottom-line profitability should increase dramatically.

The ideas of strengthening a bank's capital base or establishing a pension fund where once there was none might seem perfectly logical. But this is Italian state banking, where the meeting point between politicians and finance often defies logic rather than contributing to it.

NORTH AMERICAN QUARTERLIES

CAMPBELL RESOURCES

Mining

Third quarter	1985-6 C$	1984-5 C$
Revenue	11.4m	16.6m
Op net loss	5m	2.2m
Net per share	0.18	0.28
Nine months		
Revenue	40.6m	59.1m
Op. net loss	7.3m	61.8m
Net per share	0.34	5.17

CHARTER COMPANY

Oil refining

First quarter	1986 $	1985 $
Revenue	301.3m	383m
Net profits	†10.6m	†10.8m
Net per share	†0.64	†0.65

† Loss.

McDERMOTT INTERNATIONAL

Marine construction, power generation

Fourth quarter	1985-6 $	1984-5 $
Revenue	851.5m	889.9m
Net profits	21.1m	†42.9m
Net per share	0.57	†1.16
Year		
Revenue	3.26bn	3.23bn
Net profits	59.1m	30.7m
Net per share	1.60	0.83

† Loss

ROHR INDUSTRIES

Aircraft components

Third quarter	1985-86 $	1984-85 $
Revenue	158.5m	151.8m
Net profits	11.32m	11.74m
Net per share	0.65	0.70

J. P. STEVENS

Textiles

Second quarter	1985-6 $	1984-5 $
Revenue	451.7m	444.8m
Net profits	9.7m	†4.8m
Net per share	0.55	†0.28
Six months		
Revenue	828.8m	814.3m
Net profits	19.8m	7.1m
Net per share	1.13	0.40

† Loss

SUPERMARKET GENERAL

Supermarkets, drugstores

First quarter	1985-86 $	1984-85 $
Revenue	[illegible]	1.21bn
Net profits	12.3m	11.8m
Net per share	0.67	0.66

WESTVACO

Forest products

Second quarter	1985-86 $	1984-85 $
Revenue	433.7m	436.2m
Net profits	18.6m	22.9m
Net per share	0.65	0.80
Six months		
Revenue	852.2m	865.7m
Net profits	38.9m	45.7m
Net per share	1.35	1.60

WICKES

Builders' merchants

First quarter	1985-86 $	1984-85 $
Revenue	995m	382m
Op. net profits	15.74m	†6.24m
Op. net per share	0.02	—

† Loss.

Anglo American Corporation of South Africa Limited

(Incorporated in the Republic of South Africa)

Registration No. 01/05309/06

PRELIMINARY RESULTS AND NOTICE OF DIVIDENDS

Subject to final audit, the abridged consolidated income statement and balance sheet of the Corporation for the year ended March 31 1986 are as follows:

Income Statement

	1986 R million	1985 R million
Net income		
—investments	752	545
—trading	446	319
—other	103	33
Net income before taxation	1 301	897
Taxation	316	160
Net income after taxation	985	737
Attributable to outside shareholders	168	131
Preferred dividends	4	5
	172	136
Attributable earnings	813	601
Retained earnings of associated companies	381	279
Equity accounted earnings	1 194	880
Extraordinary items (note 1)	(83)	(63)
Earnings after extraordinary items	1 111	817
Ordinary dividends (note 2)	411	308
Retained earnings for the year	700	509
Unappropriated earnings, March 31 1985	276	196
Adjustment thereto for changes in exchange rates	—	(4)
Prior year adjustment	—	3
	276	195
	976	704
Transfers to reserves	677	428
Unappropriated earnings, March 31 1986	299	276
Earnings—cents per ordinary share		
—excluding share of retained earnings of associated companies	356	264
—including share of retained earnings of associated companies	523	386
Dividends—cents per ordinary share	180	135

Balance Sheet

	1986 R million	1985 R million
Ordinary shareholders' equity		
Capital and premium	87	79
Non-distributable reserves	2 791	2 285
Distributable reserves	2 307	2 045
	5 185	4 409
Preferred capital and premium	25	45
	5 210	4 454
Outside shareholders' interests in subsidiary companies	892	740
Total shareholders' interests	6 102	5 194
Loan capital	205	225
Loans from associated companies and others	2 076	1 634
Other liabilities	774	622
	9 157	7 675
Represented by:		
Investments (note 3)	4 903	4 285
Fixed assets	1 667	1 477
Stocks and debtors	565	471
Loans to associated companies and others	25	32
Deposits and cash	1 997	1 410
	9 157	7 675
Number of ordinary shares in issue—millions	228	228
Net asset value — cents per ordinary share (after providing for dividend)	7 067	4 691
Based on investments at market and directors' valuations less outside shareholders' interest in the appreciation over book values		

NOTES:

	1986 R million	1985 R million
1. Extraordinary items		
Extraordinary items of associated companies	(47)	(77)
Other items	(36)	14
	(83)	(63)
2. Ordinary dividends comprise:		
No. 99 (interim) of 50 cents per share (1985: 35 cents) declared November 28 1985	114	80
No. 100 (final) of 130 cents per share (1985: 100 cents) declared June 2 1986	297	228
	411	308

	1986 R million	1985 R million
3. The market and directors' value of investments are:		
Listed—market value	15 489	9 677
Unlisted — directors' valuation	1 665	1 478
	17 154	11 155

4. It is intended to post the sixty-ninth annual report of the Corporation for the year ended March 31 1986 to members on or about June 30 1986.

ORDINARY SHARE AND PREFERRED STOCK DIVIDENDS

On June 2 1986 the following dividends were declared payable to ordinary shareholders and preferred stockholders registered in the books of the Corporation at the close of business on Friday, June 27 1986 and to bearer holders presenting the appropriate coupon detached from their share or stock warrants:

— Final dividend No. 100 on the ordinary shares, in the amount of 130 cents per share (1985: 100 cents), being the final dividend in respect of the year ended March 31 1986, payable on Tuesday, August 5 1986;

— Dividend No. 114 on the 6 per cent cumulative preferred stock, equivalent to 3 per cent, for the six months ending June 30 1986, payable on Friday, August 1 1986.

A notice regarding payment of these dividends to holders of bearer warrants (ordinary shares: Coupon No. 105; preferred stock: Coupon No. 115) will be published in the Press by the London Secretary on or about Friday, June 13 1986.

The transfer registers and the register of members of the Corporation will be closed from Saturday, June 28 to Saturday, July 12 1986, both days inclusive. Registered shareholders and stockholders paid from the United Kingdom will receive the United Kingdom currency equivalent on Monday, June 30 1986 of the rand *value of their dividends (less appropriate* taxes). Any such holders may however elect to be paid in South African currency, provided that the request is received at the offices of the Corporation's transfer secretaries in Johannesburg or in the United Kingdom on or before Friday, *June 27 1986.*

The effective rate of non-resident shareholders' tax is 13.884 per cent.

The dividends are payable subject to conditions which can be inspected at the Johannesburg and London offices of the Corporation and at the offices of the Corporation's transfer secretaries, Consolidated Share Registrars Limited, 1st Floor, Edura, 40 Commissioner Street, Johannesburg 2001 (P.O. Box 61051, Marshalltown 2107), and Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL.

By order of the board
C. L. MALTBY
Secretary

Registered Office:
44 Main Street
Johannesburg 2001

London Office:
40 Holborn Viaduct
London EC1P 1AJ

June 3 1986

BASE LENDING RATES

	%		%
ABN Bank	10	First Nat. Fin. Corp.	11
Allied Dunbar & Co.	10	First Nat. Sec. Ltd	11
Allied Irish Bank	10	● Robert Fleming & Co.	10
American Express Bk.	10	Robert Fraser & Ptrs.	11
Amro Bank	10	Grindlays Bank	‡10
Henry Ansbacher	10	● Guinness Mahon	10
Associates Cap Corp.	11	● Hambros Bank	10
Banco de Bilbao	10	Heritable & Gen. Trust	10
Bank Hapoalim	10	● Hill Samuel	§10
Bank Leumi (UK)	10	C. Hoare & Co.	10
Bank Credit & Comm.	10	Hongkong & Shanghai	10
Bank of Cyprus	10	Knowsley & Co. Ltd	10½
Bank of Ireland	10	Lloyds Bank	10
Bank of India	10	Edward Manson & Co.	11
Bank of Scotland	10	Mase Westpac Ltd	10
Banque Belge Ltd	10	Meghraj & Sons Ltd	10
Barclays Bank	10	Midland Bank	10
Beneficial Trust Ltd	11½	● Morgan Grenfell	10
Brit. Bk. of Mid. East	10	Mount Credit Corp. Ltd	10
● Brown Shipley	10	National Bk. of Kuwait	10
CL Bank Nederland	10	National Girobank	10½
Canada Permanent	10	National Westminster	10
Cayzer Ltd	10½	Northern Bank Ltd	10
Cedar Holdings	11	Norwich Gen. Trust	10
● Charterhouse Japhet	10	PK Finans. Intl (UK)	11½
Citibank NA	10	Provincial Trust Ltd	11
Citibank Savings	¶10.75	R. Raphael & Sons	10
City Merchants Bank	10	Roxburghe Guarantee	11
Clydesdale Bank	10	Royal Bank of Scotland	10
Comm. Bk. N. East	10	Royal Trust Co. Canada	10
Consolidated Credits	10	Standard Chartered	10
Continental Trust Ltd	10	Trustee Savings Bank	10
Co-operative Bank	*10	United Bank of Kuwait	10
The Cyprus Popular Bk	10	United Mizrahi Bank	10
Duncan Lawrie	10	Westpac Banking Corp	10
E. T. Trust	11½	Whiteaway Laidlaw	10½
Exeter Trust Ltd	10½	Yorkshire Bank	10
Financial & Gen. Sec.	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.62%. Mortgage 11%.

INTL. COMPANIES & FINANCE

Hugh Carnegy on the competitive pressures facing the Irish airline

Turbulent times for Aer Lingus

A CHEEKY advertisement appeared on the front page of Irish newspapers last week wishing a happy birthday to Aer Lingus, the national airline which celebrated its 50th anniversary last Tuesday.

It showed a birthday cake with a large slice removed and was placed by Ryanair, a new independent Irish airline which has just opened low-cost scheduled flights between Dublin and Luton in an attempt to take a share of the busy Dublin-London route from Aer Lingus, British Airways and Dan Air.

With a combination of American cancellations because of terrorist fears, and increased competition making prospects on the North Atlantic route gloomy this year, birthday celebrations at Aer Lingus might have been dampened.

Yet Mr David Kennedy, Aer Lingus chief executive, says he is confident of record profits when the 1985-86 results are announced in July and, despite looming difficulties this year, he is not depressed about the future.

A Boeing 747 in the airline's new livery

Major questions do have to be faced, mainly concerned with funding an expensive programme of fleet replacement which, because of the airline's heavy debts, depends on the state, the 100 per cent shareholder. This week the Government said it was considering selling part of its shareholding to raise the money.

Aer Lingus is in profit mainly because of the diversity of its business which includes non-airline related activities from hospital management in Baghdad to robotics. Operating profit earned from air transportation in 1984-85 was less than I£0.5m (£0.45m) compared with I£12.7m from airline related services such as maintenance and overhaul and I£17.1m from non-airline business.

The strategy of building up activities outside air transport evolved when the airline was making losses in the 1970s. A tiny home market, with a negligible domestic network, the burden of flying on the over-supplied North Atlantic, and the lack of opportunity under EEC rules for carrying passengers between third countries, left the airline with little choice if it was to make money.

Aer Lingus runs airline computer systems, traffic handling services, catering services and aircraft maintenance services for a number of foreign airports and airlines. Its subsidiary, Airmotive Ireland, overhauls jet engines for airlines in 25 countries.

It has varying stakes in 40 US hotels, owns and operates the London Tara hotel and leases and operates the Paris Commodore. It has a holiday resort joint-venture with Wimpey in Tenerife, owns 17 per cent of Guinness Peat Aviation, the Shannon-based aircraft leasing company, and has a computer data processing company.

Less predictable, Aer Lingus last year bought Altek Automation, a British company mainly involved in robotics software, and has acquired a 75 per cent share in Automation Tooling Systems of Canada.

The pay-off has been considerable. Non-air transport business accounts for 40 per cent of total revenue, and Aer Lingus turned around from annual pre-tax losses in excess of I£12m at the turn of the decade to pre-tax profits of I£14.3m in 1984-85.

This does not disguise difficulties in the core business of air transport. "The economics of operating an airline service to and from Ireland are difficult and likely to remain so," says Mr Kennedy.

This is especially true on the North Atlantic. The company has said that the 1985-86 accounts will show a marginal profit on the route for the first time in nearly a decade and a half. Aer Lingus has more than 1.5 per cent of total North Atlantic traffic and expects to hang on to its share of more than 60 per cent of Irish traffic on the route.

This year, though, the outlook is grim. Pan Am and Delta have decided to enter the US-Ireland market, raising total capacity by up to 40 per cent, just as falling dollar values and US fears of terrorism in Europe have hit bookings which could be down by 25 per cent.

Aer Lingus is likely to press the government again, to help alleviate the debt burden associated with losses on the North Atlantic for which interest dues last year were I£7m. The government, however, has insisted that the airline stay on the route.

In Europe, the picture is restricted by Aer Lingus's relatively low proportion of full-fare business traffic and its inability to fly other than bilateral routes. Not surprisingly it is an advocate of route liberalisation and has a special eye on getting back to routes such as Dublin-Manchester-Zurich which it operated successfully before Ireland joined the European Community.

This would help alleviate the airline's vulnerability based on the small home market reflected in IATA (International Air Transport Association) figures which in 1984 showed Aer Lingus as the 25th largest carrier of scheduled passengers on international routes, but 49th biggest in terms of total scheduled passengers.

One route on which revenues are high is Dublin-London where it faces new competition from Ryanair's BAE 748 planes. But Aer Lingus is dismissive of the latest entrant, saying its unrestricted return fare of I£94.99 is unsustainable.

The main immediate concern is to raise funds for the replacement over eight years of its 12 Boeing 737 jets. The airline has submitted proposals to the Government for the first purchases, almost certainly of Boeing 737/300s. Mr Jim Mitchell, the Minister for Communications, said this week the airline could not expect a straight injection from the Government for this, and the state was considering selling part of its shareholding to help raise the money. Such a move would involve substantial restructuring of the company, he said.

"Regardless of how strongly people feel on this question, it is clearly one that has to be on the agenda looking at the future of Aer Lingus and the challenges it is facing in the next ten years," Mr Mitchell said.

INTERNATIONAL COMPANIES and FINANCE

Cameroon state to sell 62 holdings

BY PETER BLACKBURN RECENTLY IN YAOUNDE

CAMEROON'S state-owned Société Nationale d'Investissement (SNI) is to sell its shareholding in 62 companies to local investors within five years. The move is a part of a major restructuring to restore profitability and reduce government involvement in industry.

SNI will also be expected to sell its equity in new investment projects within seven years of start-up. According to Mr Simon Ngann Yonn, its director general, "SNI's role is to stimulate investment rather than be involved in long-term economic management."

Since its creation in 1964, however, SNI has found it difficult to find local investors to purchase its shareholdings partly because many of the companies were unprofitable.

The group's activities will in future be concentrated on "viable and profitable" projects whereas in the past in has also invested in schemes of "social and general economic" importance, Mr Ngann Yonn said.

SNI, the Cameroon Government's main instrument for promoting industrial investment, has in recent years recorded heavy losses due to the poor performance of several large public enterprises.

It reported a net loss of CFA 4.1bn ($11.7m) in the year to June 1985 mainly due to the continued poor performance of companies such as Camsuco, which produces sugar Cellucam (paper) and Crevettes du Cameroun (shrimps).

Mr Ngann Yonn said a decision would be taken shortly concerning the future of Cellucam, which has been closed for the past two years and is described by industrialists as the country's biggest white elephant. Talks have been held with Canadian and Indian technical partners, he added.

The group also plans to double investment to CFA 10bn in 1986. New investments would be directed in future towards smaller projects especially agro-industrial and other schemes to process local raw materials.

Among projects planned are palm oil refining, pineapples, tomatoes, timber and poultry farming. The company is also studying hotel and pharmaceutical projects as well as a small steel mill.

SNI's investment portfolio covers 62 operating agricultural, industrial and service companies and totalled CFT 52bn in 1984-85.

Citicorp balks at Wah Kwong debt deal

WAH KWONG Shipping, the ailing Hong Kong shipping group, today enters its fourth day without income as financial advisers press its 46 leading creditors to agree to a second 90-day interest payment moratorium aimed at providing breathing space for a long-term rescue to be arranged.

The existing moratorium expired on Friday. Last night all but a handful of creditors had agreed to an extension. Of those outstanding, only Citicorp, the US banking group, has said that it is opposed to a renewal. Agreement of all creditors is needed if an extension is to be arranged.

Wah Kwong, which has 65 vessels, floundered in January with debts of HK$6.4bn (US$819.5m). It has since announced net losses for 1985 of HK$2.93bn. The group is not expected to survive for more than a week without agreement being reached on the extension to the moratorium.

Efforts to persuade Citicorp, one of the group's main creditors, to agree to an extension have so far been in vain. Representatives of the advisory committee of bank creditors to Wah Kwong met Citicorp yesterday, but failed to learn why it has opted to break ranks with other creditors.

"Citicorp seems to be holding out for a special deal," one bank creditor said yesterday. "The puzzling thing is that there are other creditors who have far better reasons for opting out, but they have all so far been persuaded that it is in everyone's best interest to stay in."

Japan power companies surge

BY YOKO SHIBATA IN TOKYO

EARNINGS OF Japan's nine leading power companies met expectations for the year to March, as they reaped Y231bn ($1.32bn) of windfall profits from the yen's appreciation and lower crude oil prices.

Combined pre-tax profits of the nine rose 41.1 per cent to a record Y1,190bn. The yen's rise alone brought in Y180bn.

The companies are to pass on the windfall profits to consumers in the current year in the form of rate cuts starting next month. Most of such extra profits the previous year were retained in internal reserves in an atempt to cope better with future cost fluctuations.

Their total power sales for the latest year increased 3.5 per cent to 518.3mkw hours, while value sales aggregated at Y12,723.6bn, up 4.8 per cent.

Tokyo Electric Power, the largest, boosted pre-tax profits 57.8 per cent to Y343.9bn, derived from a 7 per cent rise in revenues to Y4,189bn. Its share of the windfall earnings was Y107bn.

● Japan's 10 leading oil refiners also reaped windfall foreign exchange gains in the year, totalling Y134.4bn. However, the benefits from the yen's appreciation and cheap crude oil were partly offset by disarray in end prices for petrol and other products, caused by intensified price-cutting competition.

Combined pre-tax profits of the 10 nonetheless advanced to Y31.5bn from the preceding year's Y1.3bn. Sales fell 10 per cent to Y1,270bn amid a decline in demand for fuel oil from the power companies.

Nippon Oil, the market leader, boosted pre-tax earnings 53.6 per cent to Y224bn despite a 7.6 per cent dip in sales to Y28,500bn. It recorded exchange gains of Y37bn.

Dubai Government boosts Middle East Bank stake

BY ANGELA DIXON IN DUBAI

THE DUBAI Government has boosted its equity support for Middle East Bank (MEB), a Dubai-based bank with a substantial overseas network, as part of a capital increase made largely to offset provisions in 1985 against doubtful debts from previous years.

A total of Dh 100m ($27m) was raised, half of which came from the Dubai Government. The remainder of the increase was funded by other existing shareholders. The Al Futtaims, a prominent Dubai trading family, have a controlling interest in the bank.

The state stake now stands at 20 per cent, although its previous level was not specified.

MEB's loans portfolio fell from Dh 2bn to Dh 1.8bn during the year, while assets decreased from Dh 3.2bn to Dh 2.7bn. The bank is the only local United Arab Emirates bank so far to declare a loss for 1985, amounting to $32m before tax.

MEB was drastically restructured in mid-1985, when 200 of its 480 employees were made redundant. Early figures for 1986, however, show the bank to be in profit.

The bank's paid-up capital at the end of 1984 was Dh 200m. The retained loss carried forward at the end of 1985 was Dh 72.2m, leaving net negative reserves of Dh 39.3m. This lowered the paid up capital at the end of 1985 to Dh 160m. The new capital injection thus leaves the bank, with shareholders funds of Dh 360m [illegible]

Oki Electric pre-tax profits slide 91.6%

By Our Tokyo Staff

THE DROP in semiconductor prices and the soaring yen led Oki Electric to report a 91.6 per cent fall in pre-tax profits to Y1.39bn ($7.96m) in the year to March.

Net profits were down 82 per cent to Y1.98bn, on steady turnover of Y361.7bn.

Sales of on-line terminal equipment and other information processing equipment rose 7 per cent, but those of electronic parts, including semiconductor chips, dropped 16 per cent.

For the current year, Oki expects a recovery in semiconductor prices and an increase in sales of telecommunications equipment abroad.

The company expects pre-tax profits to jump to Y8bn on turnover of Y400bn.

Rothmans Malaysia reshapes its equity

By Wong Sulong in Kuala Lumpur

ROTHMANS MALAYSIA has announced an equity restructuring scheme that breaks new ground regarding foreign compliance with the Malaysian Government's New Economic Policy (NEP), reflecting a more liberal attitude towards foreign investors.

Under the scheme, which has the blessing of the Malaysian authorities, native Malay (Bumiputra) ownership of Rothmans Malaysia would reach 30 per cent as required by the NEP, while the company remains a 50 per cent subsidiary of Rothmans International of the UK.

Rothmans International has argued successfully that because brand names, research and marketing technology are crucial in the business, it should be allowed to retain majority control of its Malaysian operations.

It is the second foreign company to be allowed to retain majority equity control. The first is Nestle, the Swiss food group.

ICI of the UK has also applied to restructure its Malaysian operations, to retain 51 per cent control, and approval is likely to be given.

Under the Rothmans scheme, existing shareholders (including Rothmans International) will receive a cash payment of 4.5 ringgit (US$1.73) for every two shares held, which would then be consolidated into one share of one ringgit each.

Malay financial institutions and Rothmans International would each put up 131m ringgit to subscribe for 40.4m new shares each.

This would increase Malay ownership from the present 4 per cent to 30 per cent, while the Rothmans International stake will remain at 50 per cent.

Mr Gerald Vessey, managing director of Rothmans Malaysia, said the scheme was designed to comply with the NEP.

Rothmans Malaysia had pre-tax profits of 76m ringgit on turnover of 470m ringgit for the year ended June 1985. For the current year, pre-tax profits are projected at 85m ringgit.

Ann Charters on a dramatic upsurge in stock market activity

Brazilians play Blindman's Buff

THE SMALL Brazilian investor more than likely doubled his money when he jumped into the stock market in March as it soared in the wake of the country's sweeping economic reforms. That is providing he joined the widespread profit taking before the market started what is described as the natural decline from an "emotional" high.

With US$1 bn in new share issues lined up for the next few months, investment banks predict the market will recuperate and stabilise at a level above that seen last February before the reforms. The increased supply of stocks, including flotations of well-known Brazilian companies and government issues, is expected to attract more investors, as the stock market reacts to forecasts of 7 per cent growth in GNP this year and an improved performance by many companies as they adjust to Brazil's new non-inflationary environment.

Such a dose of rationality would be welcome. Nearly three months ago, the government overnight declared zero inflation, changed the cruzeiro to the cruzado at 1,000th its value, introduced a price freeze and removed indexation on all financial investments except savings accounts. Small investors turned to the stock market for high returns buying indiscriminately. Mutual fund holdings reached Cr 69bn (US$ 5bn) in April with an estimated Cr 10bn extra funds coming in that month alone.

Mr Roberto Teixeira da Costa, president of Brasilpar, a venture capital and financial services company, and a board member of the Sao Paulo Stock Exchange, explained that after 20 years of inflation Brazilians are addicted to investing money for returns that nominally reached 15 per cent a month. He said new investors, dissatisfied with interest rates of only 0.5 per cent a month, entered the market as if they were playing Blindman's Buff.

Riding the peaks and troughs of the stock market requires a view of at least six months, according to fund managers who complain that the uninitiated and unconselled investor lives for the moment and plays the market like a game of roulette.

Institutional investors, normally a stabilising force, have seen their presence reduced, according to one investment banker. Pension funds and mutual funds hold nearly 30 per cent of the market, but their participation in the daily turnover in recent weeks has been less active than that of individual investors.

Daily operations on the Sao Paulo exchange rose from 5,000 transactions per day for totals of Cr 500m before the economic package to 12,000 to 13,000 transactions a day, equal to volumes over Cr 1.6bn during peak days in March and April. At the end of last year, the value of shares listed on the Sao Paulo exchange was US$42.7bn in 541 companies.

A month ago government fears rose that the market was overheated, and mutual funds were told to limit their portfolios to 75 per cent in equities and the balance in Treasury Bills. Many funds were well within that ratio, but the Government's intervention sent the market into a dive. Some analysts fear that the government's heavy hand frightened away the investors needed to absorb the forthcoming new issues.

First off the block for the Government are two profitable state companies, subsidiaries of the blue-chip Petrobras, the state oil monopoly. These concerns are expected to offer shares worth US$500m within the next 50 days. CVM, the Brazilian securities commission has issues worth CR 34bn (US$245m) by 27 private companies awaiting approval.

Mr Fernando Marcilio, the director of investments and underwriting for Banco de Investimento BCN (Banco Credito Nacional), said his bank has plans to underwrite 10 new issues. If, as he expects, as many as 300 companies go public during the year, this would double the number of companies actively traded and improve the market's liquidity.

Companies are rushing to the equity market, because there are no medium and long term funds available from banks. But questions remain as to what the earnings side of price/earnings ratios will look like, since companies were caught with wide ranging differences in costs and margins when prices were frozen across all sectors of the economy.

The next few months will tell the story as the market adjusts to first semester balance sheets that reveal four months under the Cruzado plan. By then, Government efforts to bring public spending under control and reduce a mushrooming public deficit may show some success and investors should have a clearer picture of inflation prospects for the year.

No one expects the stock market to mature without growing pains but there is optimism that with new companies listed and more shares opened to the public that the market will broaden and liquidity will improve. There is some thought that the government may open new opportunities for foreign capital to enter the market.

In the months immediately after Brazil's inflation dousing economic package, daily transactions on the Sao Paulo stock exchange more than doubled as small investors ploughed their savings into shares. The transition from an institutional led bourse to one dominated by individual investors has significantly heightened volatility

Japanese poised for overseas bond spree

By Yoko Shibata in Tokyo

JAPANESE corporations are lining up for an unprecedented spree on overseas bond markets this quarter. They are expected to raise nearly $7bn, well above the previous $5.5bn record set in the final quarter of last year.

Particularly high is the volume of bonds carrying equity warrants which have increased more than six-fold over the same quarter of 1985 as funding costs slipped below 2 per cent after taking into account the price of swapping proceeds into yen.

Securities bankers say corporations are rushing to raise funds abroad because of their pervasive belief that the decline in world interest rates is now bottoming out.

Issues with equity warrants are expected to total some $2.7bn to $3bn in the current quarter while conventional fixed-rate bonds are likely to rise by 50 per cent on their year earlier levels to $3bn. By contrast the issue of convertible bonds is forecast to halve to about $700m to $800m as issuers switch their attention to warrant paper.

The bankers said there is now, however, evidence of an overhang of unsold Japanese corporate paper in the international bond markets. As a result they expect issue volume to drop sharply in the third quarter of this year.

World Bank 30-year issue trades well outside fees

BY CLARE PEARSON

LAST FRIDAY'S $150m 8⅛ per cent 30-year bond for the World Bank traded well outside its fees yesterday. The bid price was about 97⅞ per cent, as against a par issue price. With an issue for such a well respected borrower performing so poorly, dealers were not surprised to see that no new fixed-rate dollar deals emerged.

Deutsche Bank Capital Markets had priced this issue at a spread of 80 to 85 basis points over the US Treasury's new 30-year bond on Friday afternoon, when the US Treasury market seemed to be recovering from the shock of the 1.5 per cent jump in April leading indicators. The hope that the market would go better yesterday was belied, however, when dealers marked prices of Eurobonds down after US credit markets fell further on statistics for US factory orders and construction spending in April.

The World Bank's bond traded yesterday at a spread of up to 100 basis points above US Treasury bonds. This reflected, however, the lead-manager's support, without which dealers thought it could have moved much wider.

Investors watched the US Treasury market move erratically on US economic figures last week and they are now more than ever uncertain over the direction of interest rates and therefore reluctant to take on 30-year paper. Issues with long maturities would seem the least marketable instruments at the moment but the outlook for shorter-dated paper is scarcely more cheerful. Underwriters continue to mark prices down *in the face of a huge inventory.*

With equity markets in better shape than bond markets, however, equity-related debt continues to find buyers. Drexel Burnham Lambert Securities took advantage of this yesterday by issuing, as sole lead-manager and underwriter, a $50m convertible bond for United Cable Television. The 15-year bond is not expected to be priced until June 11 but the coupon is indicated in the 5¾ to 6 per cent range. The conversion premium is expected to be 28 to 32 per cent. There will be a put option after five years at 110.165 per cent and a call option after the same period at 106, and then at premiums declining by 1 per cent per annum.

Nikko Securities priced a $70m equity warrants bond for Iseki, a farm machine group, yesterday. The coupon was set at 2⅝ per cent as indicated. The exchange rate was fixed at Y177.95 to the dollar and the exercise price at Y430, a 2.63 per cent premium over yesterday's closing price.

The D-Mark sector has suffered recently both from the West German government's pronouncements that interest rate cuts there soon are unlikely and from the weakness of the New York markets. Yesterday the market's weakness forced Bayerische Vereinsbank to postpone a DM 150m 6⅝ per cent seven-year bond for Public Power Corporation of Greece, which it began syndicating on Friday.

Schweizerische Bankgesellschaft (Deutschland) nevertheless launched a DM 100m equity warrants bond for Intershop, the Swiss real estate company. This was both the first lead-management for SBG, the Union Bank of Switzerland subsidiary, and the first D-Mark issue for Intershop. The 10-year bond has a 2⅛ per cent coupon; the exercise price on the warrants will be fixed tomorrow. Warrants will be exercisable for a six-year period. The bond traded yesterday at 103 bid.

Swiss Bank Corporation announced late last night an approximately SFr 400m 10-year equity warrants bond for Montedison, the Italian conglomerate. Warrants will be exercisable into shares of Iniziativa META, the services company in which Montedison has a major shareholding. The coupon is indicated at 3 per cent. Warrants will be exercisable at a premium of about 6 per cent till 1989, and then at about 11 per cent till 1991.

Goldfields Industrial reverses loss

BY JIM JONES IN JOHANNESBURG

GOLDFIELDS Industrial Corporation (GIC), the 62 per cent-owned South African subsidiary of B. Elliott of the UK, offset a first-half loss to produce a small profit in the year to March 31.

Sales were poor throughout the year as industrial companies reduced expenditure on capital equipment, and GIC's turnover fell to R33.4m ($14.2m) from R35.9m. Income before interest and tax dropped to R1.18m from R1.63m and the pre-tax profit was R159,000 against the previous year's R465,000.

The directors say that the new financial year has started with improved business conditions and they believe that increased trade volume will show up in the results of the company's manufacturing operations. Because of this a dividend of 3 cents has been declared even though earnings dropped to 4 cents a share from 12 cents. A dividend was not declared in the previous financial year.

Equity investment trust sales boom in Japan

BY OUR TOKYO STAFF

SALES of equity investment trusts are booming in Japan as investors tire of low bank deposit rates, now typically 4.13 per cent for a one-year deposit.

Securities bankers say the establishment of equity investment funds this year will probably top Y6,000bn, a record high after last year's total of Y5,888.7bn which was itself a jump of 40 per cent on the previous year.

In May the big four securities houses alone offered Y474bn in new funds, up 27 per cent on a year ago and an all time monthly record of Y530bn worth of funds are expected to be established in June.

Against the background of the current bull stock market, some of these funds offer a return of 20 per cent. Japanese investors are attracted to them because of their anxiety over playing the stock market directly at a time when prices stand at a ratio of some 40 times earnings.

PKbanken pulls out of UK and US joint ventures

BY OUR FINANCIAL STAFF

PKBANKEN, the Swedish state owned bank, is to pull out of two joint venture banks in the UK and the US in order to concentrate on operating its own foreign businesses.

It is to sell its half shares in Christiania Bank (UK) and PK Christiania (US) Banking Corporation to Christiania Bank of Norway, giving the Norwegian group full control of the two companies.

At the same time, PKbanken will buy Christiania's 50 per cent holding in the Singapore-based PK Christiania Bank (South East Asia) and will open a subsidiary in New York as soon as possible.

In London, PKbanken already has a licensed deposit taking institution, which will expand its operations into merchant banking in the near future. The unit will not move into commercial banking, however.

The two Nordic banks will continue to own PK Christiania (Hong Kong) jointly. But operations at this unit will be reorganised.

Europaper programme for Mannesman

By Peter Montagnon, Euromarkets Correspondent

MANNESMAN, the engineering concern, has become one of the rare German companies to tap the Eurocommercial paper market.

Its US subsidiary, Mannesmann Capital Corporation, has established a $50m programme for which Deutsche Bank Capital Markets and Morgan Guaranty will act as dealers. First drawings are expected during this month.

Also tapping the market is Marine Midland Bank which is to raise up to $250m. Dealers will be Citicorp, Marine Midland Capital Markets and Hongkong Bank, the borrowers parent.

Italian deal for Gist Brocades

By Our Financial Staff

GIST BROCADES, the Dutch pharmaceuticals and enzymes group, has acquired Biostrain, an Italian company that makes and supplies materials for the bakery industry.

Based in Milan, Biostrain produces a range of bread improvers and pastry ingredients and has a "reasonable and growing share of the Italian market." Gist said the deal will broaden the group's Italian yeast operations.

Biostrain is a small operation employing just 15 people. It makes bread improvers of a type not manufactured by Gist.

Konishiroku Photo profits down 15%

By Our Financial Staff

KONISHIROKU Photo Industry, the Konica camera maker which is currently bidding for full control of Fotomat of the US, suffered a 14.9 per cent fall in pre-tax profits to Y15.91bn ($91.17m) in the year to April 20.

Despite this setback, and a further fall to Y11bn expected for the current year, the company is increasing its dividend from Y9.50 per share to Y10.

Sales, which rose 14.9 per cent *to Y313.6bn*, are forecast to grow at a much slower rate in 1986-87 to reach Y320bn. Net earnings fell from Y9.83bn to Y7.10bn and are projected to emerge at Y5.50bn this year. Net earnings per share were Y22.96 *against Y35.96*.

JAPANESE RESULTS

MITSUI MINING AND SMELTING

Non-ferrous metals Year to	March 1986 Y	March 1985 Y
Revenues (bn)	266	277
Pre-tax profits (bn)	†0.49	5.25
Net profits (bn)	†2.51	3.53
Net per share	†5.17	7.26
Dividend	—	—

† Loss

NIPPON MINING

Petroleum, non-ferrous metals Year to	March 1986 Y	March 1985 Y
Revenues (bn)	982	1,130
Pre-tax profits (bn)	12.25	10.31
Net profits (bn)	5.24	6.59
Net per share	8.80	8.57
Dividend	5	5

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on June 2

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price changes on day –0⅛ on week –1¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap. Corpn. 5⅜ 94	150	†100½	101	+0⅛	+0⅜	5.26
Bch. Land Corp. 6½ 99	75	†104	104½	–0⅞	–0⅞	6.02
Chrysler 5⅞ 96	160	†101¼	102¼	+0⅛	+0⅜	5.40
Council of Europe 6 92	120	†103	103½	–0⅛	–3⅛	5.38
Creditanstalt 5½ 94	100	†101¾	102¼	–0⅛	+0⅝	5.20
Deutsche Bk. Fin. 5⅜ 95	100	†104	104½	–0⅛	–1⅛	4.76
Gen. Occidentale 4½ 94	80	†115	115½	+0⅛	–4⅛	2.49
Glendale F. S&L 5½ 95	100	†99¾	100¼	+0⅛	–0⅛	5.58
Humana 5¼ 98	120	†98	98¼	–3⅛	–0¼	5.34
Ind. P. Finland 5⅞ 94	40	†102	102½	0	0	5.43
N. Zealand Steel 5¾ 96	70	†102½	103	+0⅛	+2⅛	5.40
Oberos. Kftwk. 5⅛ 95	100	†103	103½	+0⅛	+0⅜	4.90
Olivetti Intl. 5½ 95	100	†102¼	102¾	+0⅛	–0⅛	5.15
Pepsico 5⅛ 95	130	†103½	104	+0⅛	+0⅜	4.71
Phibro-Salomon 5½ 97	110	*†102	102¼	+0⅛	+0¼	4.88
Ralston Purina 5⅜ 94	125	†101½	102	–0⅛	–0⅛	5.11
Setsu Euro. 0 2001	100	†49	49½	+0⅛	+0⅜	4.82
Tokyo Elec. Pwr. 5½ 93	120	†102¼	102¾	–0⅛	+0⅛	4.95
Tokyo Metropolis 5¼ 94	80	*†102	102¼	0	0	4.95
World Bank 5⅜ 94	150	†103½	104	–0⅛	+0⅛	5.19

Average price changes on day –0⅛ on week –0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Exp. Os. Cr. 5⅞ 91	20	96	96½	+0⅛	+0⅛	6.80
Denmark 6⅛ 96	10	99⅛	99⅝	+0⅛	–1⅛	6.43
Dow Chemical 6⅛ 02	25	93⅛	93⅜	–0⅛	–2⅛	7.09
EIB 6⅛ 96	25	99⅞	100⅛	+0⅛	–1⅛	6.14
Postpankid 5⅞ 95	10	96⅛	96⅝	—	—	6.42

Average price changes on day +0⅛ on week –1¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

Average price changes on day –0.01 on week +0.05

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Sumitomo Corpn. 2⅝ 99	5/84	593	187	188¼	–3¼	9.25
Taiyo Yuden 3¼ 2000	3/85	1078	*†158	160	–0⅛	–1.14
Tokyo Sanyo Elec. 3½ 99	12/84	772	122½	122¼	+14¼	48.81
Toshiba Ceramics 3 2000	4/85	1734	128⅛	129⅛	–2	–8.27
Nippon Oil Co. 2⅞ 92 SFr	3/84	1052	†130	131	–0¼	2.69
Nippon Shinpan 2 92 SFr	3/84	881	†189½	190½	–5¼	9.98
Asics 5 92 DM	12/83	529	153¼	154½	+2¼	8.83
Renown 5⅛ 90 DM	3/85	675	147⅛	148	+0⅛	–2.47

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC Amro Bank; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; LTCB International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

APPOINTMENTS

Mr George Bromley, a director and the president of Leicestershire Co-operative Society, who was president of the Co-operative Congress in 1985, has been appointed chairman of the CO-OPERATIVE UNION, the Co-operative Movement's central organising body. He succeeds **Mr Jim Mason**, who has been appointed chairman of the Co-operative Wholesale Society. A retired trade union official, Mr Bromley is a past chairman of the Midland section of the Co-operative Union. He is a member of the section's industrial relations committee and a past member of the national executive of the Co-operative Employers' Association. He is a director of Shoefayre, a Co-operatively-owned retail shoe chain.

★

Mr John Mellon, managing director of the women's magazine group of IPC Magazines for the past two years and managing director of sales and distribution, has been appointed deputy chief executive of IPC MAGAZINES from June 9.

★

Mr M. D. Parker has been appointed commerical director of IMI YORKSHIRE FITTINGS, a subsidiary of IMI. He succeeds **Mr B. S. Preston** who has retired. Mr Parker was manager of IMI overseas and marketing department.

★

PEL COMMUNICATIONS has appointed **Mr Nigel Nathan** as sales and marketing director.

★

HELIX PRODUCTS & MARKETING, part of the Helix Technology Group, has appointed **Mr Jonathan Werrall** as associate director.

★

Mr Andrew Watts and **Mr Bill McGrath** have been appointed joint deputy managing directors of J. WEIR & SON, part of Time Products.

★

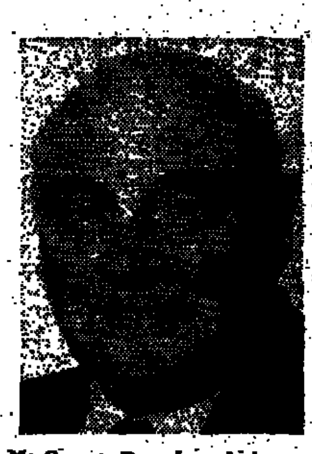
GREENE KING & SONS is making changes to its board: **Mr J. F. Foster** has been appointed a director; on August 22 **Mr M. D. Corke** will retire as managing director and will be succeeded by **Mr S. J. B. Redman**. Mr Corke will remain on the board as a non-executive director,

★

Mr Graham White has been appointed to the board of AIWA (UK). Mr White joined Aiwa in 1983 from Wilkinson Sword. In April 1985 he was promoted to general manager.

★

FREIGHTLINER has appointed **Mr Oliver Potter** to the board as a non-executive director. Mr Potter is the chairman of Logistics International, a management consultancy company specialising in logistics and distribution.



Mr George Bromley, chairman of the Co-operative Union

HAREFIELD RUBBER has appointed two directors: the new managing director is **Mr Barry S. Giddings**, who joins following senior executive positions with Blue Circle, Grand Metropolitan and Guinness; **Mr John D. Irwin** also joins as director and business manager of the rubber division.

★

Mr Michael Jankowski has joined MARLIN as design director—a new position. He has spent the last 15 years at Philips, of which seven years were spent as design manager of the "Lighting Design Group."

★

PORTALS HOLDINGS has appointed **Mr A. P. Conway** a director. He has also been appointed managing director of the papermaking division. He will remain managing director of Portals.

★

THE TEESLAND INVESTMENT CO, the holding company of The Teesland Group, has appointed **Mr Gerry Stapleton** to the board. He became Development director of the development company in September 1984, specialising in major town centre schemes.

★

WARNER LAMBERT has made senior changes within its financial division. **Mr Les Lee** has been appointed regional finance director for the Benelux/Scandinavia area and moves to the company's Amsterdam office from the UK headquarters at Eastleigh, Hampshire. He moved to Eastleigh in 1979 as controller, becoming UK finance director in 1985. He is succeeded as financial controller by **Mr Tres Murphy** who returns from South Africa. Mr Murphy was Warner Lambert's financial director in South Africa.

★

At OKASAN INTERNATIONAL, **Mr Yasuo Iwaki** has been appointed managing director. Mr Iwaki has held senior positions in New York and Zurich.

★

Mr Peter J. Hart has been appointed as finance director/company secretary at FLETCHER SUTCLIFFE WILD; **Mr Michael A. Singleton** has been appointed as finance director/company secretary at PITCRAFT SUMMIT from August 1. Mr Singleton is currently employed as finance director/company secretary at Loughborough Industrial Securities. **Mr Peter Turner** retires from this position as sales director at Pitcraft Summit and has been succeeded by **Mr Geoff Hodgson**. Mr Hodgson was sales director at Sure Mine Products. Fletcher Sutcliffe Wild and Pitcraft Summit are members of the Dobson Park Industries Group.

★

EMESS LIGHTING has appointed **Mr David Cutler** as finance director. He joins from UKO International where he was finance director.

★

SP TYRES UK, Fort Dunlop, has made the following changes: **Mr George Pepper** is appointed sales director, replacement sales; and **Mr Ian Payne** becomes director, commercial vehicle tyres. Mr Payne also has responsibility for all passenger transport, earthmover and agricultural business.

Mr Roger Lewis, managing director of Brooksight

Mr Roger Lewis, has been appointed managing director of BROOKSIGHT. He was previously with Plessey, Van Lear (UK) and most recently, Ingersoll Locks where he was financial director and company secretary.

★

FIRST INTERSTATE CAPITAL MARKETS LIMITED has named **Mr Paul Savage** as managing director. Other promotions announced were **Mr Joachim H. A. Nolte** to associate director; **Mr Philip M. Sibley**, **Ms Suzanne Cogswell**, **Mr Shazar A. Ayre** and **Mr Michael J. Pitts** to manager; **Mr Richard H. Kemkagh** and **Mr Adrian K. Mills** to assistant manager.

★

ISI LTD, the ICI-backed developers of the Savoir expert system shell, have appointed **Mr Bernard Dodwell** as sales manager. Mr Dodwell was formely at Aregon International.

★

Mr David Mitchell has been appointed sales director of IMI BAILEY BIRKETT LTD, Cleckheaton, West Yorkshire, a subsidiary of IMI plc. IMI Bailey Birkett specialises in special purpose valves for the gas, petrochemical, marine, industrial heating and general process industries.

★

Mr Simon Ballard has been appointed to the board of OPPENHEIMER TRUST MANAGEMENT LIMITED. He will continue to be responsible for the marketing of Oppenheimer unit trusts and money funds.

★

Mr Mike Edwards has been appointed managing director of Nottingham-based WILLIAM WATTS, the machine tool arm of the Auroroa Group. Mr Edwards was instrumental in steering the company into high technology while at the same time extending the market for the wide range of conventional products available from the company.

★

Mr John S. Curtis, chairman and managing director of MATHER AND PLATT EUROPE since July 1984, has been appointed to the main board of Mather andPlatt's holding company, Wormald International, Australia. **Mr Lee Ming Tee** also joins the board as deputy chairman.

★

COMPAIR HOLMAN LIMITED announces the appointment of three new board directors. **Mr David Brewer** becomes export sales director, **Mr David Paul** becomes marketing director and **Mr Peter Raven** becomes operations director (Camborne).

CompAir Holman is part of the CompAir Group of companies, Britain's leading manufacturers of compressed air equipment. Holman has its manufacturing base in Camborne and its sales, marketing and central parts depot in Marlow.

★

At THE CHARTERED BUILDING SOCIETIES INSTITUTE **Mr John M. Fry**, director and general manager of the Abbey National Building Society, has been elected president until May 1987. The deputy presidents are **Mr J. F. Richardson**, chief executive, National and Provincial Building Society, and **Mr B. J. Rezler**, general manager (housing), Nationwide Building Society.

UK COMPANY NEWS

Duffryn shipping recovery masks oil price downturn

A RECOVERY by Powell Duffryn's shipping activities badly hit in 1985 by the miners' strike, has helped the company offset the effects of the worldwide fall in oil prices on its distribution and engineering activities. Taxable profits for the 12 month period to end March 31 1986 came out 7 per cent up at £22.14m, largely thanks to a doubled contribution from shipping.

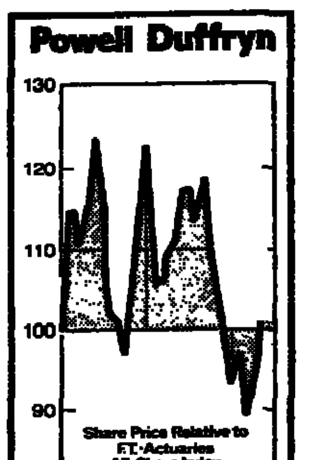
The profit increase was concentrated in the UK, where the trading return rose £7.63m to £27.4m, outweighing losses and falling profits elsewhere in the world. The overseas activities, particularly in the US, Saudi Arabia and France, suffered most from the drop in oil prices, and profits in those countries fell sharply.

Mr David Hubbard, the chairman says that the group intends to develop and exploit its UK fuel distribution businesses, "based on their strong track record and the expectation of increased demand in the wake of falling energy prices."

The result for the year also benefited from reduced interest rates, down from nearly £8m to £6.33m, due mainly to the restructuring of recent years. Last November it sold its timber subsidiary, and the resulting £6.5m loss forms the bulk of an extraordinary debit of £7.77m (£2.41m).

The dividend is raised from 14p to 15.2p with a final of 10.7p (10.67p), while earnings per share fell from 24.8p to 20.3p after a much higher tax charge of £9m (£5.87m). Tax rose because of the losses overseas and the need for a deferred tax charge.

Group turnover rose from £699.2m to £722.95m, but that from associated companies fell from £145.24m to £85.35m. This produced group trading profits of £28.47m, virtually unchanged. Associates made £5.16m (£4.21m) for the group.



An industry sector analysis of group sales and trading profit shows: distribution and storage £527.3m (£481.2m) and £19.75m (£19.5m); engineering £150.8m (£148.6m) and £5.86m (£7.41m); construction materials £44.9m (£69.4m) and £3.06m (£1.68m).

A breakdown of the largest division, distribution and storage, reveals a shortfall in the fuel distribution side from nearly £11m to £10.1m, and a decline of almost £2m to £3.41m in bulk liquid storage. Shipping was up from £3.12m to £6.24m.

By geographical area, a similar analysis shows that the UK improved its position as the company's largest earner, with profits of £27.4m (£19.76m) on sales of £586.9m (£506.9m).

In the rest of the world, continental Europe incurred trading losses of £1.08m (profit £1.87m) on sales reduced from £127.8m to £86.5m, and the Americas lost £163,000 (profit £3.49m) on £37.3m (£43.6m) sales.

Trading profits in Australia and the Far East were held at £1.42m on falling turnover—down from £7m to £6.4m—but dropped £1.15m to £691m in Africa and the Middle East on sales down from £13.9m to £5.9m.

● comment

No sooner has poor Powell Duffryn resolved the problems of one sector than a new set arises in another. Last year it was the effect of the miners' strike on shipping, this year the oil price crisis on French fuel distribution and US engineering. In its UK fuel and engineering divisions, Powell Duffryn fared well in staving off stock losses, and after years of rationalisation these divisions should sustain some organic growth in 1986-87. Shipping, however, is almost certain to suffer, so much so that Powell Duffryn may even contemplate withdrawal if a bidder appeared. The change of government in France and abolition of price controls should restore French fuel distribution to a modest profit, although the company is also scrutinising the future of that investment. Meanwhile US engineering should be nursed back to break even. After the elimination of this year's losses the City expects profits of £28m for 1986-87—for a prospective p/e of 11.5 on yesterday's share price unchanged at 308p. Given that Powell Duffryn shows no sign of developing the dynamic diversification strategy needed to steer it into less mature and less volatile sectors, the multiple still seems to expect a new bidder to succeed where Lord Hanson failed.

Clayform and Samuel Properties in talks

By Lionel Barber

Clayform Properties, the acquisitive and ambitious property company, said yesterday it was in talks with Samuel Properties about a possible takeover bid. An announcement is expected today.

Both companies' shares were suspended yesterday at their own request. Samuel Properties is valued at £34m at the suspension price of 253p, Clayform, suspended at 263p, is valued at £35.6m.

Mr Michael O'Halloran, a Clayform director, said: "We have talked about the relative values of the two companies and we know the Samuel people very well. You can expect an announcement very soon, possibly tomorrow."

Samuel directors were in a meeting yesterday and unavailable for comment.

Six weeks ago, Samuel said that it had received a friendly bid approach which might lead to an offer for the company. But it declined to identify the interested party.

Clayform shares have risen sharply since they were floated on the Unlisted Securities Market at 165p each a year ago.

Last October, Clayform launched a £40m contested bid for Owen Owen, the Liverpool-based department store group. It pulled out after Ward White, the fast-growing shoemaking and retail group, made a £53m agreed counter-bid.

Last week, Clayform confirmed that it held a 3.47 per cent stake in Percy Bilton, the housebuilder and property developer. Mr O'Halloran said yesterday that market speculation that Clayform intended to mount a bid had been off-target. "People have jumped to the wrong conclusion," he said.

Clayform last month reported full-year pre-tax profits up from £1.29m to £2.57m. Samuel reported pre-tax profits of £3.46m for the 12 months ending June 1985, an 11 per cent rise on the previous year.

'Serious' approach made for CIT

Continental & Industrial Trust, an investment trust managed by J. Henry Schroder Wagg, announced it had received an approach which might lead to a takeover bid being made.

Continental's shares rose 45p to 810p yesterday to value the trust at £137m. It increased total revenues 13 per cent to £6.05m in the year ended May 1985, and had total net assets of £128.87m at that year-end.

Mr Gordon Popham, chairman, said the approach to the trust was "serious."

Charterhall swaps controlling stake for £10m cash injection

BY LUCY KELLAWAY

Charterhall, the London listed oil and gas company, is to swap a controlling stake in itself for a £9.6m cash injection by Westmex, an Australian investment company, which it hopes will protect it from the effects of the worldwide fall in oil prices.

Westmex, chaired and controlled by Mr Russell Goward, a former lieutenant of the Australian entrepreneur Mr Ron Brierley, will gain a 52.3 per cent holding through its Wyncon subsidiary, and Mr Goward will become managing director.

Mr Derek Williams, Charterhouse's chairman, said yesterday that the deal would prevent the company from being taken over at a depressed price or from "soldiering on on a shoestring, in which case we might survive or might not, depending on what happens to the oil price."

Over the last few months the fall in oil prices had cut Charterhall's revenue by two thirds, Mr Williams said. Despite recent cutbacks in overheads, the company is not generating enough cash to meet its debt repayment schedule. The cash injection combined with its income from interest in the Forties and Buchan fields will cover the company's commitments to the end of next year, which include debt repayments of £5.3m.

The company says that as a result of the deal there will be no need for any asset sales or reduction in existing interests, and that it will now have scope to expand if it sees fit.

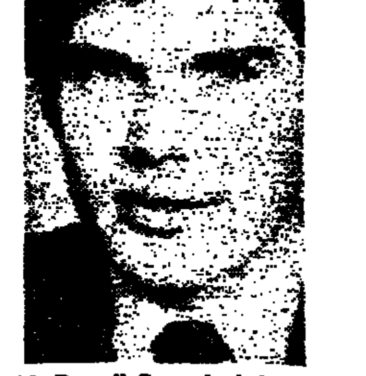
Mr Goward, who bought a 31 per cent stake in Westmex and became chairman in March this year, was previously chief executive of Industrial Equity, the Australian investment company of Mr Brierley. At the beginning of last month Westmex had listed investments of almost A$1m, mainly in the oil and gas sectors, and cash balances of A$23m.

Westmex will buy 65m shares at 14.75p each, a large discount to the closing share price on Friday of 26p. However, the City was well pleased with the deal, and Charterhouse's shares rose 3p yesterday to 29p.

The proposed injection, which is subject to shareholders' approval, will strengthen the Charterhall board.

Mr Maurice Loomes, a director of Westmex, will join Mr Goward on the board, where Mr Williams will remain as chairman.

Westmex has undertaken that it will not compete with Charterhall either in the UK or the US for exploration.



Mr Russell Goward, chairman of Westmex

See Lex

HunterPrint to pay 33% more

FURTHER PROGRESS is reported by HunterPrint Group, the commercial colour printer that transferred from the USM to a full listing in February.

In the half year ended March 1986 sales have advanced by 26 per cent, from £23m to £29.07m, while the profit before tax has increased by 39 per cent, from £1.22m to £1.69m.

The directors say that with healthy forward order loadings they are confident of increased profits over the full year. In the year ended September 1985 the pre-tax profit came to £2.39m.

They are lifting the interim dividend from 1.5p to 2p net, and intend to raise the final from 3.2p to 4.25p. This would represent an increase of 33 per cent for the year.

The half year profit was struck after exceptional charges of £21,000, compared with £16,000. After tax £134,000 (£53,000) earnings work through at 16.72p per share (14.08p).

The directors say that since October 1982 the group has purchased and commissioned plant and equipment aggregating some £14m. Most of the finance for such has been obtained largely from Common Market funds and from finance companies via finance leases.

In the September 1985 balance sheet these borrowings totalled £9.92m and are repayable over the next five years. For the current year the interest charged will come to £317,000.

Turning to the subsidiaries, the directors report that Formdesign has been expanded considerably since its acquisition just over a year ago. An additional factory becomes operational this month.

● comment

HunterPrint, promoted to the Stock Exchange from the USM in February, continues to expand from its base in magazine colour printing into specialist operations like form printing and mail order catalogues. Formdesign the company acquired for £4.5m in May 1985, is believed to have chipped in £300,000 to profits and is part of a series of strategic acquisitions—like the recent Galbraith King purchase which gave the company a toehold in City printing. First half profits of £1.69m were better than analysts expected and the share price rose 17p to 225p. The fact that the final dividend forecast of 6.5p (up 33 per cent) shows a faster growth than earnings per share (up 19 per cent), indicates some confidence about second half growth. Assuming full year profits slightly over £3m, the prospective earnings per share would be around 32p. The first half's tax charge of only 8 per cent would put the prospective p/e ratio at 7 but even allowing for a full tax rate of 35 per cent leaves the prospective p/e at 10. That compares well with others in the sector which are trading on p/e's of 15.

Evered plans disposal of TI holding

By David Goodhart

Evered Holdings is now actively planning to sell its 14.7 per cent stake in TI Group. Mr Raschid Abdullah, the Evered chairman, refused to be drawn on the subject at the company's annual meeting yesterday but several of its advisers confirmed the imminent sale.

If the 8.7m shares could be sold at about 520p each, Evered would raise £45.5m and earn a profit (before capital gains tax) of £14m. The current debt of £20m would be turned into surplus cash of £25m which Evered believes will increase its chance of winning control of McKechnie Brothers.

Mr Raschid Abdullah stressed the improved performance in the US. North American profits slipped from £1.58m in 1984 to £1.13m last year, but now the benefits of a stronger order book are being felt, he said. "The *budget process for 1986 was* much more stringent than in previous years, with the emphasis being placed not only on profit but also on cash generation," said Mr Abdullah.

He added that senior management has responded well to the strengthened disciplines.

Hanover Invs. advances by 58% to £1m

REPORTING A 58 per cent advance in pre-tax profit for the year ended February 28 1986, Hanover Investments (Holdings) announced further expansion into estate agencies.

From turnover ahead £2.65m to £7.92m, the profit before tax is up from £624,000 to £987,000 last year after £79,000 loss on discontinued businesses. Earnings are 12.7p (9p) and the final dividend is 2.4p for a net 3.5p (3p) total.

Hanover is buying C. J. Hole, an estate agency with 13 branches throughout Avon. Hole is being acquired for a maximum £620,000 plus the procurement of repayment of a £980,000 loan.

This purchase follows last week's acquisition of nursery home specialists Luxton and Lowe.

Hanover also has property, financial services and herbal divisions. In the current year all are trading buoyantly and this augurs well for the year, the directors state.

Boost for Sims Butchers

Following its initial interim payment, Sims Catering Butchers is recommending a final dividend of 2.8p for a total of 4p net in respect of the year ended March 31 1986.

The company came to the USM in February 1985. It supplies meat, poultry and game to caterers in southern England.

With the help of Bristol Meat Trader, purchased last August, it has pushed up its turnover from £3.32m to £8.38m and its pre-tax profit from £354,000 to £586,000 in the year.

The expansion policy was taken a stage further in April with the acquisition of W. D. Brabin, and this is showing signs of achieving its potential earlier than first forecast. It cost a nominal £1, plus £263,000 cash for refinancing and £290,000 cash for the premises.

The directors say the future of the group is very encouraging and they look to the current year with confidence.

The 1984-85 profit was struck after £52,000 exceptional charges.

This year tax takes £236,000 (£126,000) and pre-acquisition profits £45,000 (nil). Earnings come to 8.44p per share (7.48p).

Sales advance at T & S Stores

The first 16 weeks of the 1986 year saw turnover of T & S Stores, a Walsall-based retailer of tobacco, confectionery and allied products, surge by 50 per cent to £18.4m.

Revealing this at the company's annual meeting Mr K. P. Threlfall, the chairman, told shareholders that sales of confectionery and greetings cards had continued to show substantial volume increases which had precipitated a further improvement in overall gross margins.

He said Easter trade was 62 per cent up on 1985's comparable period and added that as a result of the Budget a benefit would accrue in the current half year's profits—any possible market depression would not be clear for two to three months.

The USM company was at present trading from 85 (64) stores and the directors were confident of achieving 100 by the year-end.

WSL expects to resume dividend

WSL Holdings, formerly Wolverhampton Steam Laundry, has announced pre-tax profits of £153,267 for the six months to end-February 1986 on turnover of £2.12m. The comparative figures are not given as the directors consider they would be misleading.

During the period the company disposed of its laundry interests and the results do not include Wolverhampton Steam Laundry. They also do not include any contribution from the Schools Abroad Group, a specialist school travel company acquired with effect from March, but do represent the 75 per cent interest in H and C Travel-away which the group owned for the period.

The directors have not recommended a dividend payment in respect of the last three financial years but intend to recommend one for the current period to end-August.

For this half operating profit came to £88,112, and the pre-tax result was after investment income of £89,485 and interest charges of £24,330. Tax took £37,738, and after minorities £22,095, earnings are shown as 0.89p per 5p share.

DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corresponding div.	Total for year	Total last year
Airflow Streamlines ...	1.25	July 22	0.75	1.5	1
Appletree‡ ....int.	1	Aug 28	—	—	1
Hanover Inv.	2.4	July 31	2	3.5	3
Hunterprint ....int.	2	Sept 5	1.5	—	4.7
Powell Duffryn	10.7	Aug 22	10.67	15.2	14*
Sims Butchers‡	2.8	—	nil	4	nil
TR Natural Resources	4.75	—	4	8.25	7.5

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

UK COMPANY NEWS

Pritchard in £14m sale of US health offshoot

BY DAVID GOODHART

Pritchard Services Group, facing a £145m hostile bid from Hawley Group, has sold Kimberley Services, its US health employment agency, for $20m (£13.6m).

Mr Peter Pritchard, the chairman, said the sale had been under consideration for over a year and was not a response to the unwelcome bid. "We have for some time been planning to concentrate on our main contractual businesses in cleaning, health services and food," he said.

According to Mr Pritchard Kimberley made a pre-tax loss of $2.2m in the year ended December 29 1985 on a turnover of $56m.

However Superior Care—the US home health care company which has bought Kimberley—said last night that if corporate interest and management charges are stripped out Kimberley in fact made a pre-tax profits of $5m last year. It added that current year revenues are 25 per cent ahead and operating profit is showing further improvement.

Dr Michael Sinclair, chairman of Superior Care, said: "This is a real coup. It will make us number two in the US home health care market." Combined with its existing business it will now have 100 home health care centres.

Mr Michael Ashcroft, the chairman of Hawley, said that the deal was not material as it represented less than 10 per cent of Hawley's offer price. As the major shareholder in Pritchard with a 29.9 per cent stake he said Hawley would review the merits of the deal when it is placed before Pritchard shareholders.

Superior Care has recently been the subject of a reverse take-over by the private, UK company Hospital Capital Corporation. HCC, which was valued at about $30m in the deal, had a turnover of £4.5m in the nine months to December 31 1985.

Superior, a quoted US company with annual turnover of $25m, is set for a management restructuring. Dr Michael Sinclair and Mr Anthony Reeves, who both held senior management positions with HCC, have become, respectively, chairman and president of Superior. The deal involved Superior Care issuing 11m shares for 80 per cent of HCC's stock.

Dr. Sinclair told Superior's annual meeting, which approved the deal last Friday: "Our goal is to restructure Superior Care and to restore it to meaningful profitability and and expand our core business into new and growing markets."

MPs come under fire from LIG's Alan Woltz

By Lionel Barber

London International Group, the consumer products business which has made a £149m contested bid for Wedgwood, the fine china manufacturer, yesterday launched a blistering attack against MPs who support the Wedgwood case for independence.

Mr Alan Woltz, LIG's American-born chairman and chief executive, said he wanted to set the record

Mr Alan Woltz, chairman of London International Group

straight after comment by local MPs in Staffordshire, the business base of Wedgwood, had made a number of misleading and irresponsible statements.

These included suggestions that LIG was an asset-stripper; that it was not in a position to guarantee jobs or profitability; and that the LIG bid was being made by an American for a local company.

Mr Woltz referred to a press statement issued by the LIG board which said: "The extraordinary inaccuracy of some of the ill-researched and entirely unsubstantiated comment does, in the opinion of the directors, warrant a response."

Mr Woltz said that the misleading statements had been made by four local MPs on local radio: Mr John Heddle (C. Mid Staffs); Mr Jack Ashley (Lab. Stoke-on-Trent South); Mr Mark Fisher (Lab. Stoke-on-Trent Central); Mr John Forrester (Lab. Stoke-on-Trent North). He said he had written to all four MPs twice offering to meet them "anytime, any place," but had so far not received a reply.

Mr Fisher said he had received several letters from Mr Woltz. A meeting was arranged for early next month. He was concerned only that LIG had no long experience in pottery manufacturing.

In the LIG statement, the group, which manufactures contraceptives as well as fine china (through its recently-acquired Royal Worcester Spode subsidiary), said it was a British company. "It remains as British as when it was founded in 1915."

Commenting on allegations that it was an asset-stripper, LIG said that it had bought many companies over the last few years and subsequently built their businesses.

LIG also pointed out that its total employment had grown by more than a third and it had achieved "steady growth" throughout the 1980s.

Mr Woltz added that he did not want to descend into a slanging match but the comments by the MPs had created unnecessary anxiety in the minds of employees.

Lloyds running to time with bid for Standard

Lloyds Bank's application for US regulatory approval of its proposed takeover of Standard Chartered Bank — which owns Union Bank of California — was published yesterday in the Federal Register.

It is indicated that interested parties have until 23 to comment, representing 30 days from the actual date of filing.

The time needed to obtain US regulatory approval has become an issue in the takeover battle between Lloyds and Standard Chartered.

After June 23, a period of a number of days will be required for the Federal Reserve Board to give approval, and then there has to be a further 30-day period for clearance by the Department of Justice.

Standard Chartered has argued that the final approval cannot be received until after the maximum time permitted for a takeover bid by the UK Takeover Code has elapsed.

But last night Mr David Horne of Lloyds Merchant Bank claimed: "We are at the moment proceeding well within the theoretical timetable to get approval."

He suggested that clearance could be received before the end of July, whereas under the Code the takeover offer could remain open until August 2.

Peel resignation

Mr Peter Jevans has resigned as a non-executive director of Peel Holdings, the property group specialising in edge of town retail development and as an executive director of Peel Investments (UK), one of its main subsidiaries.

IN BRIEF

STAR OFFSHORE Services earned profit before tax of £698,000 for year ended March 31, 1986 (loss £1.38m) and dividend is again 1p per share. In spite of high level of employment for vessels there was trading loss of £458,000; but gain on foreign exchange and surplus on sale of vessel went someway towards recouping previous losses.

WHITWORTH'S FOOD GROUP confirms a loss for the half-year ended March 31 1986 in formal agreed offer document from Booker McConnell.

The loss is £596,000 (profit £231,000) before tax credit £190,000 (charge £101,000). A claim has been received by a subsidiary for £1m. in respect of closure of certain potato futures contracts; but Whitworth, advised that the claim is not likely to succeed, has not made provision for such in the figures.

HESTAIR'S rights issue has been accepted in respect of 7.73m new ordinary shares (around 93 per cent). Shares not taken up have been sold in the market at a net price of 34.34p after expenses and deduction of the issue price.

PARK PLACE — a subsidiary of Wolters Samsom Group NV has purchased 200,000 shares in the company which, together with shares already held, lifts its stake to 2.37m shares, equal to 16.1 per cent.

ASHDOWN INVESTMENT Trust ordinary capital is now 90.6 per cent owned by British Empire Securities and General Trust, following the acceptance by 71.6 per cent of the Ashdown capital of the recent offer.

BENLOX HOLDINGS has exchanged contracts with Proudreed for the sale of Riverside Industrial Estate (Dartford, Kent) for £2.61m cash. This compares with a cost of £1.58m and a valuation of £2.6m at December 31 1985. Shareholders' approval is required. Riverside consists of 30 industrial units currently producing an annual £343,062 net of estate management expenses.

PHICOM directors say they are unaware of any specific reason for the recent increase in activity in the company's shares in the market. They have recently begun talks which might lead to the sale of one of the company's divisions and in addition they have been informally informed that Magunm Corporation, Phicom's ultimate holding company, would, on appropriate terms, consider disposing of its holding.

GUINNESS PEAT has completed the disposal of its investment in Britannia Arrow via the sale of £10m of nominal of 9 per cent convertible unsecured loan stock to Pergamon Holdings and £5m of stock to funds under management of MIM.

SHARE STAKES

Hambros Investment Trust has sold 32,000 Yarrow ordinary and its beneficial interest is reduced to 181,400 shares (4.5 per cent).

Firstland Oil and Gas has purchased a further 10,000 shares in Fishermen's Petroleum and now owns 73,150 ordinary (23.42 per cent).

J. Henry Schroder Wagg, who are advising Standard & Chartered Bank, has sold 15,000 ordinary shares on behalf of discretionary clients.

Morgan Grenfell, as an associate of Pritchard Services, has disposed of 100,000 ordinary.

Comcap director Mr B. D. Pederson has disposed of 200,000 ordinary shares and is now interested in 428,614 shares (2.05 per cent).

Mercury Warburg Investments has sold 60,000 Pegler Hattersley on behalf of discretionary clients at 670p and 75,000 at 616p.

Mercury Warburg Investments has sold 50,000 F. H. Tomkins shares on behalf of discretionary clients.

Cray Electronics director Mr D. E. Kimber has sold 6,896 shares.

Powerline International director Mr T. W. Mann has sold 10,000 shares.

F. S. Ratcliffe Industries—Mr D. J. Brooks has increased his holding of ordinary from 14.97 per cent to 27.23 per cent.

ANGLOVAAL GROUP

DECLARATION OF FINAL DIVIDENDS - MINING COMPANIES - YEAR ENDING 30 JUNE 1986

Dividends have been declared payable to holders of ordinary shares registered in the books of the undermentioned companies at the close of business on 27 June 1986. The dividends have been declared in the currency of the Republic of South Africa. Payments from London will be made in United Kingdom currency and the date for determining the rate of exchange at which the currency of the Republic will be converted into United Kingdom currency will be 7 July 1986, or such other date as set out in the conditions subject to which the dividends are paid. These conditions can be inspected at the registered office or office of the London Secretaries of the companies. Warrants in payment of the dividends will be posted on or about 1 August 1986. The transfer books and registers of members of the companies will be closed from 28 June to 4 July 1986, both days inclusive. All companies mentioned are incorporated in the Republic of South Africa.

Name of company	Dividend declared No.	Cents per share June 1986	Cents per share June 1985	Total for financial year Cents per share 1986	1985
Eastern Transvaal Consolidated Mines, Limited Reg. No. 01/08442/06	70	150	70	250	90
Hartebeestfontein Gold Mining Company, Limited (Note 1) Reg. No. 05/33926/06	59	65	425	110	725

NOTES:
(1) The quantum of the dividend takes into account, inter alia, the large capital expenditure programme related to the additional recovery plant which is expected to be commissioned in January 1988.
(2) The declaration of a dividend for Consolidated Murchison Limited will be considered at a board meeting to be held during the latter half of June 1986.

By order of the boards
Anglovaal Limited
Secretaries
per: E. G. D. Gordon

London Secretaries:
Anglo-Transvaal Trustees Limited
295 Regent Street
LONDON W1R 8ST

Registered Office:
Anglovaal House
56 Main Street
2001 Johannesburg

3 June 1986

Guardian Royal Exchange Assurance plc

US$22,800,000 8% Unsecured US Dollar Bonds 1987

NOTICE IS HEREBY GIVEN that pursuant to Condition 4(a) of the 8 per cent Bonds, the annual redemption instalment of US$6,000,000 due 1st July 1986, has been met by purchases in the market to the nominal value of US$763,000 and by a drawing of Bonds to the nominal value of US$5,237,000.

The distinctive numbers of the Bonds drawn in the presence of the Trustee are as follows:

[illegible]

On 1st July 1986 there will become due and payable upon each Bond drawn for redemption, the principal amount thereof, together with the accrued interest to said date at the office of:

The Chase Manhattan Bank N.A.
One Chase Manhattan Plaza, New York, NY10015

or one of the other paying agents named on the Bonds.

Interest will cease to accrue on the Bonds called for redemption on and after 1st July 1986 and Bonds so presented for payment should have attached all Coupons maturing after that date.

The amount of an missing unmatured Coupons will be deducted from the sum due for payment. Any amount of principal so deducted will be paid against surrender of the relative missing Coupons within six years from the date of payment.

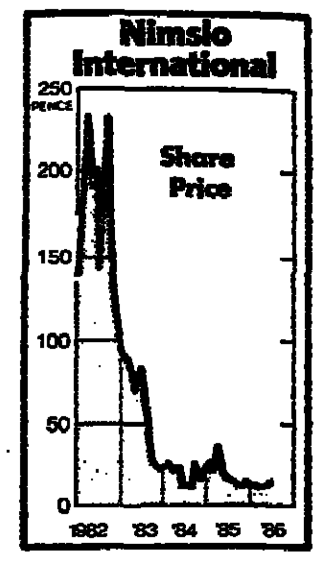
US$1,200,000 nominal amount of Bonds will remain outstanding after 1st July 1986.

Royal Exchange, London EC3V 3LS

3rd June 1986

UK COMPANY NEWS

Nimslo loss reduced after $5m exceptional credit



HELPED BY a US$5.44m exceptional credit this time, Nimslo International, the troubled 3-D camera maker based in Bermuda, incurred a reduced pre-tax loss of US$2.49m for the 13 months to February 3, 1986, against $2.87m for the previous year.

The exceptional item rose from the sale of certain net assets of Nimslo Professional Products Inc. (NPPI) to CPI Corporation of St Louis, US, and a licence agreement with CPI.

At the interim stage in September, the USM company said it would be very disappointed and surprised if the second half was not better than last time. But in the event, Nimslo made a lower pre-tax profit of $174,000 for the latter seven months ($199,000 for six months).

This followed a poor operating performance in the critical fourth quarter of 1985 for NPPI. This company, which is involved in the US professional photographic market, suffered a loss of $1.9m, compared to a $1.41m profit before.

NPPI's last quarter sales were affected among other things by Hurricane Gloria and were down on the previous year. This resulted in a shortfall of some $3.5m in sales against the board's expectations.

Mr James Davidson, the chairman, says the sales shortfall in the pre-Christmas quarter came after substantial expenditure had been incurred in advertising, staff and gearing equipment geared to the higher anticipated sales volumes.

Although efforts were made to cut back this expenditure, much of the sales shortfall dropped directly to the bottom line.

The consideration for the sale of NPPI net assets was $6.38m plus 52,500 shares of CPI common stock valued at $1.29m. The guaranteed adjusted book value of the assets sold was $2m. But as a result of NPPI's worse than expected final quarter of 1985, the actual book value of net assets taken over by CPI was $0.5m, resulting in a $1.5m cash adjustment payable to CPI by Nimslo.

Overall turnover increased from $27.91m to $33.21m. There was a tax credit of $0.45m ($0.19m charge) giving a net deficit of $2.04m, against $3.06m. Loss per share decreased from $0.0279 to $0.0186. There is again no dividend.

Mr Davidson says the recent transactions with CPI, Nissei Corporation and Quantronics *Manufacturing (HK) are* consistent with the expansion and development of Nimslo's proprietary technology related to 3-D photography and will allow the company to exploit commercially the Nimslo technology in a more effective manner.

They will increasingly enhance the reputation and public awareness of the Nimslo system leading to an increase in its use and creating markets for the related products, he adds.

Group accumulated losses at February 3 1986 were $53.5m ($51.5m).

The shares rose ½p to 16½p yesterday.

● comment

While high winds in New England can hardly be conducive to that well-groomed look desirable in portrait photography, the doldrums of flaccid demand had much more to do with Nimslo's dismal performance than Hurricane Gloria. With borrowings escalating and no upturn in its markets imminent Nimslo has now resorted to selling off its mainstream operations: portrait photography has gone to CPI for a sum whose treatment as an exceptional item held last year's losses down to the previous year's level, while the rights to 3-D camera manufacture have gone somewhat ignominiously to Nissei, a company specialising in dealer incentives and the like, which is going to give the cameras away as freebies. The treatment of the Nissei sale above the line and the reduction of borrowings through the disposals could see the company back in the black in the current year, but beyond that, with its operations now largely reduced to 3-D processing, a dramatic upturn in the acceptance of 3-D photography will be required if Nimslo is to live up to anything like the promise of its debut.

ANNUAL MEETINGS

Menzies acts to cut Wapping sales losses

John Menzies, wholesale and retail newsagent, bookseller and stationer, has suffered "considerable loss of sales" in the London area because of the dispute at News International's new plant at Wapping. Total sales had, however, risen in the present year compared with last.

Mr John Menzies, chairman, reported to the annual meeting that the company had negotiated new staffing agreements in London which would recover a substantial amount of the lost revenue. The company would not enlarge on the statement saying the issue was too complex.

Mr Brian Lascelles, deputy chairman, said the losses had been in the wholesale operation which was not distributing any of the News International titles *in the capital. Their retail* shops were however receiving copies as normal and there had been no loss of sales in the rest of the country.

Mr Menzies added at the meeting that 10 sites had been acquired in the US to test its Early Learning Centre chain of children's toy shops. They will be open in time for Christmas this year.

"The US has been the graveyard of many British retailers which have found that their ideas have not been as successful as they thought," said Mr Lascelles. "We have decided to be careful."

Petranol does not expect to do as well in 1986 as it did in 1985 when on turnover of £7.58m the oil and gas exploration and production company made record profits of £3.29m.

Dr Norman White, chairman, told the annual meeting that although action had been taken to reduce the effects of the falling oil price it would be unlikely to offset the full effects. The actions included cutting operating costs in the US, delaying capital spending and moving its head office from the West End of London to Richmond, Surrey.

He added that the company now had rising production, and a positive cash flow with benefits of actions taken being seen in the second half.

Dr White said the board welcomed the withdrawal of the takeover bid from Inoco following a Takeover Panel ruling that a former Petronol chairman, Mr Clive Smith, had been acting in concert and that therefore Inoco should make a cash alternative. As it could not afford to do so, it dropped the offer.

The Panel is continuing to review the circumstances under which the situation had arisen.

During last year Petranol was involved in merger talks with Berkeley Exploration and Production which were eventually called off.

Since its offer for Shaw Carpets was declared unconditional in April, **Lamont Holdings** has formulated plans for its future. Sir Desmond Lorimer, chairman of this investment holding company said that a voluntary redundancy scheme had been introduced to cut unit costs and there had been changes in the board structure.

He added that the company had been encouraged by the cooperation received from the Shaw personnel and was confident that the present rate of losses would be contained and that it would be turned round by the end of the present year.

Sir Desmond added that the results for the year so far were on budget. Things were much better at William Ross, the plant producing carpet yarns was working to capacity and Northern Ireland carpets was very busy.

Exports continued to make a significant contribution and the company had, to date, been able to manage with the stronger pound.

The fall in American visitors is having an impact on trading of **Norfolk Capital Group**. However, Mr A. E. Richmond-Watson told shareholders that the effect was being mitigated by increased rates and the reopening of the Norfolk Hotel in South Kensington, London, and the recently-acquired Briggens Hotel near Stansted Airport.

He said that trading on a comparable basis was ahead of the sale period last year.

Sir Ian Morrow, chairman of **Laird Group**, said a reasonable start had been made to the present year. The continued increase in capital spending and of acquisition should lay the foundation for further growth.

He expected that capital spending would be £22m this year, making about £48m in the last three years and that more than last year's £10m would be spent on acquisitions. Its two purchases so far this year, American Balance and R. H. Technical Industries, had cost £5.5m.

UK COMPANY NEWS

Courtaulds expands its bridge coatings business

BY IAN HAMILTON FAZEY

THE COURTAULDS subsidiary, International Paint, has bought the bridge coatings business of Goodlass Wall, the Liverpool paintmaker taken over by the Swedish company Wilhelm Becker in 1984.

The price has not been disclosed but the business should be worth more than £1m in sales to IP.

Goodlass Wall's most notable contracts include the bridges over the Forth, Severn and Humber. IP which makes its heavy duty protective coatings on Tyneside, has tended to specialise in painting new bridges, particularly on or over motorways.

The acquisition reduces the competitors in the sector to three, the Reed subsidiary Crown Paints, Berger, which is part of the German Hoechst Group and IP. The companies try to keep their market shares secret, but Goodlass outsold IP, which is believed to have had a share of almost 20 per cent, giving it a probable 40 per cent share now. However Crown is still the acknowledged market leader.

Berger's position may therefore become increasingly squeezed as Crown and IP fight for domination.

This typifies what has been happening throughout the European paint industry during the last five years. Companies have been concentrating on dominating market niches, often spending great sums on research to develop new high technology coatings in order to do so.

At the same time, markets have been declining because of recession. Only the largest companies have been able to compete long term, cutting prices and buying smaller, or less determined, competitors. About five years ago there were at least six more companies in bridge coatings.

One advantage of bridge painting is that, as with the Forth Bridge, the job is never finished, though control of public spending may see maintenance intervals stretched. And coatings are being developed that last longer and require less maintenance.

The sector is part of the wider, £40m a year protective coatings market where Crown and IP are the main competitors and where IP claims to lead in painting structural steelwork.

Appletree forms trading link

The directors of Appletree say the six months end-March were not particularly easy but agains this backbround they say a £26,000 profit increase to £416,000 pre-tax for the period was satisfactory.

At present the company, a pre-packer, distributor and wholesaler of vegetables, is trading more of less in line with budgets.

As part of its strategy to broaden the product base, a marketing agreement has been reached with Gosberton Farm Produce, one of the UK's largest producers of brassicas.

The directors expect the agreement to make a material contribution

Turnover for the first six months pushed ahead from £8.03m to £8.52m. Tax took £145,000 (£144,000).

Earnings emerged at 5.2p (5.4p) per 10p shart and an interim dividend of 1p net is proposed—the company came to the USM a year ago

Aberdeen Construction expects to reach £5m

Profits exceeding £5m are forecast by Aberdeen Construction Group, for 1986.

Mr A. G. Anderson, chairman, says that with the reorganisation of construction activities and the continued progress of the concrete and extractive division, backed up by development projects, the group is well on the way to overcoming recent contracting difficulties.

For 1985 the group made a pre-tax profit of £3.67m after initially reporting £4.63m, down from £4.86m in 1984. But the directors stuck with the originally recommended final dividend of 5.7p which raised the total to 8p net (7.25p).

The difference in the two 1985 profits is an extra provision of £960,000, arising on reappraisal of the potential results on civil engineering work.

It was ascertained that a contract for a water treatment plant in Derbyshire will result in a further loss

TM GROUP, formerly Mayfair Group, a vending operator, has acquired 90 per cent of Hargreaves Vending, the Manchester-based supplier of in-cup beverages and dispensing machines.

Airflow nears £1m and set for growth

FROM turnover 22 per cent ahead at £32.59m Airflow Streamlines, maker of assemblies and pressings for the automobile industry and also a Ford main dealer, raised 1985-86 profits from £624,034 to £966,836 pre-tax, an increase of 55 per cent.

The directors say that in the body engineering sector and Pegasus Phosprime existing and new business prospects continue to be favourable. The major product line is in operation and this is expected to result in increased sales and profits in the production division.

The motor division is expected to continue trading in a highly competitive market. However, it is pointed out that the new model ranges introduced by Ford, demand for used vehicles and continued expansion of the contract hire fleet should produce a satisfactory result for 1986-87.

Tax for the past year (to February 28 1986) accounted for £402,268 (£220,891) and left net profits at £564,568, against a previous £403,143.

Earnings came through 1.89p ahead at 6.01p per 25p ordinary and a final dividend of 1.25p *(0.75p)* lifts the total by 0.5p to 1.5p net.

The manufacturing division saw its 1985-86 sales improve from £10.42m to £12.83m and its profits before tax by 54 per cent to £560,189. Increased sales were attained in the production sector, but the introduction of a major new product line led to substantial increased costs which affected the results.

The motor division increased its sales to £19.75m (£16.3m) and its profits by 56 per cent to £406,647 pre-tax. The Ford dealership had a record turnover despite highly competitive conditions and the contract hire fleet continued to expand and also achieved record sales.

BOARD MEETINGS

TODAY

Interims — Archimedes Investment Trust, Hanson Trust, McCorquodale, *Sturge*.

Finals—Chapman Industries, De La Rue, IBL, Investment Co, Leigh Interests, Norcros, Plysu, Prontaprint, *Sheraton Securities*, *Sketchely*, *Sterling Publishing*.

FUTURE DATES

Interims—

Cifer	June 5
Durban Roodepoort Deep	June 9
East Rand Proprietary Mines	June 9
Leisuretime International	June 6

Finals—

Altifund	June 5
Barton Group	June 6
Beecham	June 11
Blyvooruitzicht Gold Mining	June 9
DDT	June 11
Finlay (James)	June 12
J. S. Pathology	June 4
PWS International	June 9
Somic	June 13
Time Products	June 10

Whatman Reeve Angel plc

Proposed purchase by the Company of 400,000 of its Ordinary shares of 5p each at a price between 200p and 350p per share

A tender offer enabling shareholders to tender their shares either directly to the Company ("off-market") or through The Stock Exchange ("on-market") will open at 9.00 a.m. today, Tuesday, 3rd June, 1986 and close at 3.30 p.m. on Tuesday, 10th June, 1986. The terms of the tender offer and the action that shareholders should take if they wish to tender some or all of their shares are set out below.

Terms of the tender offer

(i) Shareholders are invited to tender Ordinary shares at a price within the range of a minimum of 200p per share and a maximum of 350p per share inclusive.

(ii) The maximum number of shares for which the Company will accept tenders is 400,000. Shareholders may tender all or some of their shares, but if more than 400,000 shares are tendered and not disregarded pursuant to (iii) tenders may be scaled down, balloted or rejected as explained in paragraph (iv) below.

(iii) Any tenders made at prices being more than 110 per cent. of the middle market quotation (as derived from the Stock Exchange Daily Official List) of an Ordinary share on 9th June, 1986, will be disregarded.

(iv) *If the number of shares tendered for sale and not disregarded pursuant to (iii) is more* than 400,000, the striking price (being the price that the Company will pay) will be the lowest price at which the number of shares sought (i.e. 400,000) is met and all shareholders who tender at or below the striking price will receive that striking price (subject to the provisions of paragraphs (x) and (xi) below). If necessary, tenders made at the striking price will be scaled down pro rata or balloted. No tenders at above the striking price will be accepted.

(v) If the number of shares tendered for sale and not disregarded pursuant to (iii) is less than 400,000, the striking price shall be the highest price at which any of such shares shall have been tendered, being the price which, subject to paragraphs (x) and (xi) below, tendering shareholders will receive.

(vi) All tenders lodged by shareholders or by their agents will be irrevocable.

(vii) It is open to shareholders to tender a proportion of their shares on-market and a proportion off-market.

(viii) The tender offer will open at 9.00 a.m. on Tuesday, 3rd June, 1986 and will close at 3.30 p.m. on Tuesday, 10th June, 1986. The on-market tender will be conducted by The Stock Exchange and the off-market tender will be conducted by a representative of the Company. Upon closing, dealings in the Company's shares will be temporarily suspended, the results of *both tenders will be amalgamated and a common striking price will be determined by The* Stock Exchange and the representative of the Company by reference to both on- and off-market tenders other than those disregarded pursuant to (iii). The decisions of The Stock Exchange and the Company's representative as to the striking price and as to which shares have been successfully tendered shall be conclusive and binding on all shareholders whether they have tendered on- or off-market.

(ix) At 9.00 a.m. on the first business day following the determination by The Stock Exchange and the representative of the Company as to which shares have been successfully tendered at or below the striking price, dealings in the Company's shares will resume and sales will be effected through The Stock Exchange of those shares which have been successfully tendered on-market. The terms of such on-market sales may in no circumstances be subsequently varied; nor will such sales or the settlement thereof be conditional on the approval of off-market purchase contracts.

(x) *Sales resulting from successful on-market tenders will be for normal Stock Exchange* Account Settlement on Monday, 23rd June, 1986 being the settlement day for the Account ending on Friday, 13th June, 1986. Shareholders who have successfully tendered on-market will therefore receive their proceeds of sale (less normal dealing expenses) through their stockbroker or other agent in the usual way once they have completed the normal formalities and provided a valid share certificate. The normal Stock Exchange rules for Account Settlement will apply and buying-in may therefore take place in the event of late delivery of shares.

(xi) Successful off-market tenders will be subject to specific approval by shareholders in *Extraordinary General Meeting to be held on Monday, 7th July, 1986. Upon such approval* being obtained the proceeds of sale will be sent on Wednesday, 9th July, 1986 to those shareholders who have successfully tendered off-market and provided a valid share certificate.

Taxation

The taxation consequences for shareholders depend upon the method which they employ to tender their shares as well as on their own circumstances. Although the Board believes that the statements expressed below are correct for the majority of shareholders, it would advise that they may not be applicable to certain shareholders, including non-U.K. residents, insurance companies and *pension funds. All shareholders are strongly recommended to consult their* professional advisers before tendering their shares.

In order to determine the indexation allowance in computing the base cost of a holding of Ordinary shares for the purposes of U.K. taxation on capital gains, it may be necessary to identify the market value of that holding on 31st March, 1982. Holders are advised that for this purpose the adjusted market value on 31st March, 1982 of an Ordinary share of 5p now in issue was 48p.

On-market sales

A successful tender of shares through The Stock Exchange will be treated as a normal stock market sale. Unless the shareholder is normally assessed as a trader in securities, the sale proceeds will be treated as capital and the normal capital gains tax rules will apply and there will be no liability to tax on income.

Off-market sales

(i) Income tax and corporation tax

A direct tender of shares to the Company should result in the shareholder being treated as having received a net dividend per share equal to the striking price. Almost certainly no part of the payment received will be treated as a return of capital. Shareholders will receive an appropriate tax voucher as soon as this has been agreed with the Inland Revenue.

(ii) Capital gains tax (and corporation tax on capital gains)

For these purposes, the shareholder should be treated as having disposed of his shares for a *consideration chargeable as income tax explained in paragraph (i) above*, and an allowable capital loss may therefore arise which may be offsettable against other capital gains.

Alternative methods of tendering

On-market tenders

Shareholders who wish to tender all or part of their shares through The Stock Exchange should instruct their stockbroker, bank manager or other professional adviser accordingly, indicating the number of shares to be tendered and the price or prices at which such shares should be tendered. Sales resulting from successful tenders of shares on-market will be subject to normal *Stock Exchange* sale commissions, expenses and procedures for settlement.

Off-market tenders

A Form of Tender for those shareholders who wish to tender all or part of their shares off-market is available from the Company's Registrars, Ravensbourne Registration Services *Limited, 145 Leadenhall Street, London EC3 4QT; it contains instructions for lodgement* which should be read carefully.

If shares are successfully tendered off-market, the purchase of those shares will be subject to approval by shareholders and a further circular will be despatched on Friday, 13th June, 1986 convening an Extraordinary General Meeting for this purpose.

Recent share prices

The middle market quotations of the Ordinary shares on the dates stated, derived from the Stock Exchange Daily Official List, were as follows:—

2nd January, 1986	228p
3rd February, 1986	240p
3rd March, 1986	245p
1st April, 1986	265p
1st May, 1986	295pxd
30th May, 1986*	280p

*The latest practicable date before the printing of this notice.

Timetable

The following are the principal dates for the proposed purchase by the Company of Ordinary shares:

	1986
Tender offer advertised and opens	9.00 a.m., Tuesday, 3rd June
Tender offer closes for both on-market and off-market purchases	3.30 p.m., Tuesday, 10th June
Announcement of result of tender offer	9.00 a.m., Wednesday, 11th June
Despatch of circular convening Extraordinary General Meeting to approve off-market purchases (if relevant)	Friday, 13th June
Settlement of on-market purchases	Monday, 23rd June
Extraordinary General Meeting to approve off-market purchases	Monday, 7th July
Settlement of off-market purchases	Wednesday, 9th July

The Australian Industry Development Corporation

(A statutory corporation, wholly owned and guaranteed by the Commonwealth of Australia)

U.S. $100,000,000

11¾ PER CENT. NOTES DUE 1990

NOTICE IS HEREBY GIVEN that, pursuant to Condition 6(b) of the Notes, the Corporation will redeem on July 3, 1986 US$1,000,000 principal amount of the said Notes. A further notice specifying the serial numbers of the Notes called for redemption will be published. Currently outstanding US$32,000,000.

June 3, 1986
By Citibank, N.A. (CSSI Dept.)
London Fiscal Agent

CITIBANK

CONTRACTS

Clugston construction wins £8.5m orders

CLUGSTON CONSTRUCTION of Scunthorpe has been awarded contracts valued at £8.5m for a variety of civil engineering and building works. The largest awards include a £2.5m management fee contract to construct a superstore at Doncaster for Hillards and £2.5m design and construct contract for British Steel at Scunthorpe on civil engineering and building works to the new Slater Plant enhancement scheme. Clugston also has new orders amounting to £3.5m from a variety of clients including the Property Services Agency, British Rail, British Sugar, Nottinghamshire County Council, Salford District Council, John Brown Engineering and Henry Boots management contracting division.

★

EDWARDS HIGH VACUUM has an order worth $3.5m from American pharmaceutical manufacturer The Upjohn Company. The order for Edwards freeze drying equipment is thought to be the largest of its type ever placed. Deliveries of the equipment to Upjohn's manufacturing centre of Kalamazoo in Michigan will commence in 1987 and Edwards will be using the resources of their British and German plants to manufacture the equipment. Final assembly will be carried out by Edwards High Vacuum Inc of Grand Island, NY.

★

ELEVATIONS has been awarded contracts totalling over £3.5m. They include a contract of £250,000 awarded by Lloyds of London for special artificial stone clad partitioning of a French period design by Jacques Grange. Silicone fronted glass walls are to be installed for Price Waterhouse in a new building located in the London Bridge City development in a contract worth £400,000. Also within The London Bridge City complex contracts have been won for special veneer panels, curved walls and doors in WICO's new offices and the partitioning of BAII's offices. A £150,000 contract has been awarded by IBM for the installation of glazed partitioning in its new Basingstoke office. Another contract for £165,000 has been awarded by Interstate Bank for specially designed glazed partitioning and Sedgwick Group has elected Elevations as sole partitioning contractor for three buildings at Gardeners Corner in the City.

★

Shell UK Exploration and Production, on behalf of the Shell/Esso joint venture, has awarded INSPECTORATE EaE a contract for the design, engineering, supply and installation of telecommunications systems covering the new offshore platforms of Tern and Eider. Total value of the project is estimated at almost £3m over a contract period extending to early 1990.

★

The Eastern Electricity Board is to install HONEYWELL'S DPS 90 mainframe. The Honeywell DPS 90/92T mirror image dual processor system, worth in excess of £6m, will be used to handle all the Board's major applications including customer services, finance, administration, engineering and marketing. The four existing Honeywell DPS 8/70 mainframes will switch to development and back up work.

★

COWANS BOYD, Carlisle-based business unit of NEI Clarke Chapman has won a £4m order from its Indian licensee, Jessop and Company, to supply 12 140 tonne diesel-hydraulic railway breakdown cranes to Indian Railways. They will be the largest ever supplied to India and among the heaviest operating anywhere in the world. The contract comprises overall design of the crane and the manufacture of one complete vehicle, two in knock-down form, and the supply of nine sets of components for assembly in Calcutta. Delivery of components is scheduled to start in August with he first UK-built cranes, the knock-down cranes, being completed in January and February 1987.

★

J. JARVIS & SONS has been awarded four contracts in the Greater London area totalling over £5.5m. Largest is a canteen and welfare facilities for British Telecom at Yeading, Middlesex. This work is valued at £1.79m and is next to another contract which Jarvis is building for BT. At Highgate Wood School a £1.7m extension is being built for the London Borough of Haringey. In Stanhope Gardens, SW7, two six-storey houses are to be converted for Priormine at a cost of nearly £1.3m, and in Lowndes Square an £850,000 contract is proceeding to refurbish apartments for Sun Life Properties.

★

CHARCON TUNNELS has orders worth £3.5m for precast concrete bolted, wedge block and "One-Pass" tunnel and shaft lining segments. Among the orders is one for a Glasgow sewage scheme in Giffnock worth £313,000, placed by Kilroe. Streeters has placed an order worth £700,000 for "One-Pass" for the London Royal Dock scheme and Nuttalls an order worth £600,000 for the North London flood relief scheme. Murphy, with the Seven Sisters Road contract, has ordered £462,000-worth of smooth bore wedge block linings. Several smaller orders make the balance, the largest for linings for a 42-metre-deep shaft, 11.9 metres diameter, for Thames Water ring main at Stoke Newington. The contractor is Lilley, and the order is worth £180,000 to Charcon.

★

TAYLOR WOODROW INC of Houston, Texas, has won a $2.5m (£1.6m) contract to build a university instructional farm in Sana'a in the Yemen Arab Republic. The farm will be an on-campus facility for the Faculty of Agriculture at the University of Sana'a. Work has started and is due for completion in May 1987. The contract calls for 2,700 sq metres of farm buildings as well as earthworks to grade the site and the installation of water, electricity and sewage services. Funds for design and construction are provided by USAID/Yemen as part of the Yemen Agricultural Development and Support Programme.

★

ELEVATIONS, a partitioning company, has been awarded contracts totalling over £3.5m. These include a contract of £250,000 awarded by Lloyds of London for special artificial stone clad partitioning of a French period design by Jacques Grange. The acoustic value of the panels is increased by encapsulated lead shot within the panels. Silicone-fronted glass walls are to be installed throughout Price Waterhouse's new building in the London Bridge City development, a contract worth £400,000.

Distribution centre for West Thurrock

BOVIS CONSTRUCTION, who are currently building a major distribution centre in West Thurrock, Essex, on behalf of the developers Wickforce has now been awarded the fitting out contract, valued at around £5m by the tenants Dartford Securities. The scheme known as the Dartford Distribution Centre comprises three equal storage chambers totalling almost 250,000 sq ft and will be used for stock distribution to a number of Marks & Spencer stores in the area.

★

Contracts in the north east worth over £7.5m have been secured by SHEPHERD CONSTRUCTION. Largest is worth £2.9m and is for the 110 apartments and five houses which comprise the Leazes development in Newcastle. Abbey Housing Association is developing the scheme which is notable for being the first non-grant aided urban housing development in the city centre for over 30 years. A further 104 homes comprising 25 bungalows, 47 houses and 32 flats, together with an estate office and community hall, are to be built at Coulby Newham, Middlesbrough, for The Guinness Trust. This project is worth £2.3m completion date is September 1987.

★

SIR ROBERT McALPINE AND SONS has been awarded a £4.5m contract by Arlington Securities for the construction of two buildings at 1100/1200 Parkway, Solent Business Park, near Junction 9 of the M27. The work is due for completion by November. The buildings, each of two storeys, will provide 3,660 sq metres and 4,870 sq metres floor space respectively, with production and reception areas at ground floor level and offices above. Both units will be of steel frame and ground bearing concrete slab construction with an external finish of glass and opaque panelling. The steelwork frame has 220mm diameter circular steel columns which will be concrete filled before erection. External work includes extensive landscaping, part of which will take place before construction begins.

★

WALTER LAWRENCE PROJECT MANAGEMENT has been appointed to build a £835,000 office building for Wander Foods at Station Road, Kings Langley, Hertfordshire. The two-storey building will provide around 16,000 sq ft of office space to be used for administration and commercial purposes at the Kings Langley works.

The largest single supply and fix contract for Trisomet cladding has been placed with H. H. ROBERTSON by the consortium Norwest Holst Dexion for a Property Services Agency contract. A total of 87,000 sq metres of Trisomet has been ordered in a £2.9m cladding contract with Norwest Holst Dexion. The contract is for roof and wall cladding to a new stores building at the Central Ordnance Depot in Donnington.

NOTICE OF REDEMPTION

To the Holders of

Wells Fargo & Company

12⅝% Subordinated Notes Due December 27, 1991, Series A

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Section 4 of the Series A Notes and Article Three of the Indenture dated as of December 27, 1984 between Wells Fargo & Company and Morgan Guaranty Trust Company of New York, Trustee, U.S. $3,930,000 principal amount of the Notes has been selected for redemption on July 3, 1986 at a redemption price of 101% of the principal amount thereof, together with accrued interest to said date in the amount of U.S. $65.23 for each $1,000 principal amount, as follows:

OUTSTANDING NOTES OF $1,000 EACH BEARING THE FOLLOWING DISTINCTIVE NUMBERS:

12	1769	3541	5386	7156	8841	10692	12356	14175	15992	17728	19426	21088	22841	24759	26574	28366	30088	31875	33623	35459	37284	39025	40759	42523	44284	45892	47576	49259	50969
25	1774	3556	5392	7169	8859	10693	12369	14186	16016	17769	19469	21092	22859	24769	26575	28374	30093	31876	33625	35474	37292	39028	40775	42541	44288	45899	47586	49269	50974
28	1788	3559	5412	7188	8875	10716	12375	14192	16041	17774	19484	21105	22874	24788	26576	28375	30112	31884	33641	35475	37293	39066	40784	42574	44292	45912	47592	49286	50984
37	1792	3566	5416	7193	8876	10725	12376	14212	16056	17786	19516	21125	22884	24792	26588	28376	30128	31888	33656	35486	37299	39074	40793	42576	44299	45916	47623	49288	50986
56	1793	3569	5425	7205	8886	10774	12386	14228	16059	17793	19528	21137	22886	24816	26592	28392	30159	31899	33659	35488	37325	39076	40825	42584	44305	45959	47625	49293	51012
59	1799	3576	5428	7216	8888	10775	12388	14269	16066	17805	19566	21141	22916	24869	26593	28393	30174	31905	33684	35492	37328	39084	40828	42586	44341	45974	47666	49299	51025
66	1805	3586	5459	7223	8892	10784	12393	14274	16069	17812	19569	21156	22925	24884	26599	28399	30175	31916	33688	35499	37341	39088	40837	42588	44359	45976	47669	49323	51041
74	1816	3593	5469	7225	8928	10792	12469	14286	16074	17841	19575	21166	22928	24899	26612	28416	30184	31925	33693	35525	37356	39099	40866	42592	44369	45984	47676	49325	51056
75	1828	3616	5475	7274	8959	10799	12474	14299	16076	17856	19592	21174	22941	24923	26625	28428	30186	31969	33699	35541	37369	39141	40876	42593	44399	45986	47688	49356	51066
76	1841	3628	5486	7275	8974	10816	12476	14316	16092	17859	19593	21175	22969	24925	26628	28469	30188	31974	33712	35576	37374	39159	40884	42616	44423	45988	47693	49369	51075
84	1874	3656	5488	7276	8986	10823	12486	14341	16093	17874	19612	21176	22975	24941	26656	28475	30192	31975	33756	35586	37386	39169	40899	42628	44425	45992	47725	49376	51092
88	1886	3669	5493	7284	8988	10825	12488	14369	16112	17876	19616	21188	22992	24969	26675	28484	30193	31992	33766	35588	37399	39174	40925	42641	44459	45993	47741	49384	51093
175	1899	3684	5516	7286	8992	10828	12512	14376	16116	17884	19625	21192	23023	24975	26699	28488	30212	31993	33769	35605	37425	39184	40928	42659	44476	46016	47756	49386	51099
184	1925	3686	5525	7292	9016	10856	12523	14388	16141	17886	19628	21212	23025	24984	26756	28493	30216	32005	33774	35616	37428	39188	40941	42675	44492	46041	47766	49392	51112
188	1928	3688	5541	7293	9023	10859	12541	14392	16174	17905	19641	21274	23028	25012	26766	28523	30241	32016	33786	35628	37441	39193	40975	42684	44512	46056	47769	49399	51116
192	1941	3692	5569	7305	9025	10875	12556	14393	16175	17912	19656	21276	23076	25016	26769	28525	30256	32028	33812	35641	37476	39205	40976	42693	44528	46074	47784	49416	51125
212	1959	3693	5575	7312	9028	10876	12566	14428	16176	17916	19659	21284	23084	25028	26774	28528	30274	32059	33856	35659	37492	39256	40984	42728	44556	46075	47786	49428	51141
259	1975	3712	5586	7325	9041	10884	12586	14441	16188	17925	19668	21316	23088	25041	26776	28576	30276	32069	33869	35674	37493	39266	40988	42741	44559	46076	47788	49441	51159
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1686	3484	5316	7074	8793	10628	12269	14088	15966	17674	19386	21028	22775	24686	26492	28286	30037	31786	33556	35392	37196	38975	40684	42466	44228	45869	47516	49186	50886	52599
1688	3486	5341	7076	8794	10641	12276	14137	15969	17676	19388	21041	22784	24692	26493	28288	30041	31775	33569	35399	37188	38984	40686	42484	44241	45874	47556	49188	50888	52616
1699	3499	5356	7088	8813	10674	12292	14159	15974	17692	19392	21069	22799	24693	26541	28325	30056	31786	33575	35405	37199	38992	40688	42492	44274	45884	47559	49212	50923	52659
1728	3525	5359	7099	8825	10675	12312	14169	15975	17716	19405	21074	22805	24705	26559	28328	30074	31793	33576	35416	37216	38993	40693	42493	44275	45886	47569	49223	50941	52692
1759	3528	5384	7105	8828	10688	12316	14174	15976	17725	19416	21086	22828	24728	26569	28359	30084	31816	33593	35441	37225	38999	40737	42499	44276	45888	47574	49228	50959	52693

Payment will be made in U.S. dollars on and after July 3, 1986 upon presentation and surrender of the above Notes with coupons due December 27, 1986 and subsequent coupons attached, subject to applicable laws and regulations, at the offices of the Trustee in London, Brussels, Frankfurt am Main and Paris, Swiss Bank Corporation in Basle and Kredietbank S.A. Luxembourgeoise in Luxembourg. Payments may, at the holder's option, be made by a check drawn on a dollar account of the Trustee in New York City or by transfer to a dollar account in a bank in Europe.

Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 20% of the gross proceeds if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8 certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9 certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

On and after July 3, 1986 interest shall cease to accrue on the Notes herein selected for redemption and all conditions precedent to such redemption shall have occurred.

Dated June 3, 1986

WELLS FARGO & COMPANY

This notice is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any securities.

HAMBROS PLC

(Incorporated in England under the Companies (Consolidation) Act 1908 – No. 119609)

THIS NOTICE IS ISSUED IN CONNECTION WITH THE ACQUISITION OF THE ISSUED SHARE CAPITAL OF THE HAMBRO TRUST PLC NOT ALREADY OWNED BY HAMBROS PLC AND THE CAPITAL REORGANISATION OF HAMBROS PLC

Share Capital

Authorised: £		Issued or now being issued and fully paid: £
1,000,000	in Non-Voting Shares of £1 each	1,000,000
28,375,786.40	in 141,878,932 Ordinary Shares of 20p each	27,614,287
2,461,450	in 1,230,725 Deferred Shares of £2 each	2,461,450
162,763.50	in 3,255,270 Deferred Shares of 5p each	162,763.50
.10	in 2 unclassified Shares of 5p each	—
£32,000,000.00		£31,238,500.50

Application has been made to the Council of The Stock Exchange for the new Ordinary Shares of 20p each in issue or now being issued to be admitted to the Official List. No application has been or will be made for further Non-Voting Shares of £1 to be admitted to the Official List.

Listing Particulars of the Company will be circulated in the Extel Statistical Services and copies of Listing Particulars of the Company may be obtained during normal business hours on any weekday (excluding Saturdays and public holidays) up to and including 17th June, 1986 from:

Hambros PLC,
41 Bishopsgate,
London EC2P 2AA

Rowe & Pitman Ltd.,
1 Finsbury Avenue,
London EC2M 2PA

and until 5th June, 1986 from The Company Announcements Office, The Stock Exchange, London EC2P 2BT.

3rd June, 1986

NOTICE TO BONDHOLDERS

US$20,000,000

F. L. SMIDTH & Co A/S

(the "Company")

9½% GUARANTEED BONDS due 1998

In accordance with Condition 5(B) of the conditions attaching to the Bonds, notice is hereby given that the Company will redeem all of the outstanding Bonds, being US$6,750,000 nominal amount at 100¼% on July 1, 1986 when interest on the Bonds will cease to accrue. Payment of principal, together with interest due July 1 will be made upon presentation and surrender of the said Bonds with all coupons appertaining thereto at the office of any of the Paying Agents mentioned thereon.

The Chase Manhattan Bank, N.A. London, Principal Paying Agent.

June 3, 1986

This advertisement is issued in compliance with the Regulations of the Council of The Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any securities of the Company.

DAVID S. SMITH (HOLDINGS) PLC

Incorporated in England and Wales under the Companies Acts 1948 to 1981. Registered No. 1377658

Introduction to the Official List

Number	Ordinary Shares of 20p each	£
94,500,000	Authorised	18,900,000
68,373,112	Issued and fully paid	13,674,622

Permission has been granted by the Council of The Stock Exchange for the whole of the share capital of David S. Smith (Holdings) PLC, issued and to be issued, to be admitted to the Official List. The shares for which permission has been granted comprise the existing Ordinary Shares of David S. Smith (Holdings) PLC and those being issued and to be issued pursuant to the merger with St. Regis Holdings plc. Dealings will commence today, 3rd June, 1986.

Listing Particulars relating to the Company are available in the Extel Statistical Services and copies of such particulars are also available during normal business hours on any weekday (excluding Saturdays and public holidays) up to and including 18th June, 1986 from:

David S. Smith (Holdings) PLC
3 John Street
LONDON WC1N 2ES

Laing & Cruickshank
Piercy House
7 Copthall Avenue
LONDON EC2R 7BE

Connaught St Michaels Ltd.
P.O. Box 30, Cresta House
Alma Street, Luton
BEDFORDSHIRE LU1 2PZ

and are also available from the Company Announcements Office, Quotations Department, P.O. Box 119, The Stock Exchange, London EC2P 2BT on 4th and 5th June, 1986.

3rd June, 1986

FT LAW REPORTS

Fake contract not binding

ARMAGAS LTD v MUNDOGAS SA

House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Templeman, Lord Griffiths and Lord Oliver of Aylmerton): May 22 1986

A MANAGER who has no actual or ostensible authority to enter into a particular type of transaction on behalf of his employers, does not have ostensible authority to represent to the other contracting party that he has obtained the necessary specific authority; and the employers will not be liable for the manager's fraudulent misrepresentation that he has obtained specific authority unless by their words or conduct they induced the other party to believe he was acting in the lawful course of his employment.

The House of Lords so held when dismissing an appeal by Armagas Ltd from a Court of Appeal decision that it was not entitled to damages for breach of a charterparty in its action against Mundogas SA.

* * *

LORD KEITH said that on October 24 1979 the owners of Havfrost, later renamed Ocean Frost, let the vessel on time charter to Mundogas for 12 months.

The charterparty contained an option to purchase. A formal contract of sale was signed. A shipbroker, Mr Johannesen, acted as agent in connection with the transaction. The signatory on behalf of Mundogas was Mr Magelssen, its vice president (transportation) and chartering manager.

Early in 1980 it appeared to Mundogas that there were prospects of selling the vessel at a profit over the option price. Mr Johannesen interested the principals of the Armada group in a possible purchase. Those principals were Mr Jensen and Mr Dannesboe. They informed Mr Johannesen they would not be prepared to purchase the vessel unless Mundogas agreed to charter it back for three years.

Mr Johannesen and Mr Magelssen entered into a fraudulent conspiracy to bring a spurious three-year charterparty into existence and to deceive Mr Jensen and Mr Dannesboe into believing it was genuine, so as to induce them to agree to the purchase of the vessel.

Mr Magelssen had authority from Mundogas to agree to a straightforward sale of the vessel. He had no authority to agree to a three-year charter back and was well aware that it would be impossible for him to obtain such authority.

In pursuance of the conspiracy Mr Johannesen falsely represented to Mr Jensen and Mr Dannesboe that Mr Magelssen had actual authority to agree not only to the sale of the vessel but also to its charter back to Mundogas for three years.

They were told he had no general authority from Mundogas to enter into such a transaction, but that he had sought and obtained specific authority. The transaction was not one which they believed to be within the usual authority of an employee in Mr Magelssen's position.

A contract of sale was entered into dated May 30 1980 under which Mundogas agreed to sell the vessel to a company to be named by the Armada group. Armagas Limited was incorporated by the group and nominated as purchaser of the vessel. On June 19 1980 Mr Magelssen signed, purportedly on behalf of Mundogas, a charter party whereby Armagas agreed to let the vessel to Mundogas for 36 months. By an addendum it was agreed that the rate of hire was to be a minimum of $350,000 per month.

It was further agreed that the three-year charterparty was to be kept strictly private and confidential, not only from outsiders, but also from the chartering and operations department of Mundogas.

Mr Magelssen and Mr Johannesen believed mistakenly that they would be able to arrange with Mundogas a series of 12-month charters covering the period of the spurious three-year charterparty at monthly rates of hire not less than $350,000. In November 1980 they drew up a 12-month charter to commence early 1981.

The fraudulent scheme blew up in April 1982. The freight market had fallen to such an extent that a rate of $350,000 per month was out of the question.

On April 8 1982 Mundogas tendered redelivery to Armagas. Armagas refused to accept, on the basis of the spurious three-year charterparty. Mundogas disclaimed all knowledge of that charterparty and asserted it was redelivering in terms of the 12-month charter.

In June 1982 Armagas commenced proceedings against Mundogas, claiming damages for breach of the three-year charterparty. It alleged Mr Magelssen had actual authority to bind Mundogas to that charterparty. Alternatively, it alleged Mundogas was vicariously liable in tort for Mr Magelssen's deceit.

Mr Justice Staughton held that Mr Magelssen had no actual or ostensible authority to conclude the charterparty, but that he had ostensible authority from Mundogas to communicate its approval of his concluding it. He therefore found that Mundogas was bound by the charterparty. He decided the issue of deceit against Armagas.

The Court of Appeal reversed the decision on liability for breach of contract. It agreed that Mundogas was not vicariously liable for deceit. Armagas appealed.

Ostensible authority came about where a principal, by words or conduct, had represented that the agent had the requisite actual authority, and the party dealing with the agent had entered into a contract with him in reliance on that representation. Ostensible general authority could never arise where the contractor knew that the agent's authority was limited to exclude transactions of the type in question.

It was possible to envisage circumstances which might give rise to a case of ostensible specific authority to enter into a particular transaction, but such cases must be very rare and unusual.

The way Mr Justice Staughton put it was that although Mr Magelssen did not have ostensible authority to conclude the three-year charterparty, he did have ostensible authority to notify Mr Jensen and Mr Dannesboe that Mundogas had approved the transaction. He took the view that by appointing Mr Magelssen to be vice president (transportation) and chartering manager Mundogas represented that he had authority to convey such approval.

In the Court of Appeal Lord Justice Robert Goff said that the effect of the judge's conclusion resulted in an extraordinary distinction between "(1) a case where an agent, having no ostensible authority . . . wrongly asserts that he is invested with actual authority . . . in which event the principal is not bound; and (2) a case where an agent, having no ostensible authority, wrongly asserts that he has . . . obtained actual authority, in which event the principal is bound. As a matter of common sense, this is most unlikely to be the law."

His Lordship agreed. It must be a most unusual and peculiar case if an agent, who was known to have no general authority to enter into transactions of a certain type, could reasonably be believed to have specific authority to enter into that type of transaction.

The facts of the present case fell far short of establishing such a situation. The Court of Appeal rightly rejected the claim based on ostensible authority.

The next matter for consideration was the claim on the ground of vicarious liability for Mr Magelssen's deceit.

In *Lloyd v Grace Smith [1912] AC 716,725* Earl Loreburn said: "If the agent commits the fraud purporting to act in the course of business such as he was authorised or held out as authorised to transact on account of his principal, then the latter must be held liable for it."

It was maintained that Mr Magelssen was acting in the course of his employment though not within the scope of his actual or ostensible authority, and Mundogas was therefore liable.

The attempted distinction had no validity in the present category of case. The essential feature for creating liability in the employer was that the party contracting with the fraudulent servant should have altered his position to his detriment in reliance on the belief that the servant's activities were within his authority or, to put it another way, were part of his job, that belief having been induced by the master's representations by words or conduct.

In *Navarro v Moregrand [1951] 2 TLR 674, 680*, Lord Justice Denning said that the proposition that a servant or agent was not acting in the course of his employment if he was not acting within his actual or ostensible authority was incorrect, and was a confusion between the principal's responsibility in contract and his responsibility in tort.

He said the principal "is only responsible in contract for things done within the actual or ostensible authority of the agent; but he is responsible in tort for all wrongs done by the servant or agent in the course of his employment, whether within his actual or ostensible authority or not."

That dictum might have some validity in relation to torts other than those concerned with fraudulent misrepresentation, but had no application to torts of the latter kind, where the essence of the employer's liability was reliance by the injured party on actual or ostensible authority.

The question was whether the circumstances under which a servant had made the fraudulent misrepresentation which had caused loss to an innocent party contracting with him were such as to make it just for the employer to bear the loss.

Such circumstances existed where the employer by words or conduct had induced the injured party to believe that the servant was acting in the lawful course of the employer's business.

They did not exist where such belief had been brought about through misguided reliance on the servant himself, when that servant was not authorised to do what he was purporting to do, when what he was purporting to do was not within the class of acts that an employee in his position was usually authorised to do and when the employer had done nothing to represent that he was authorised to do it.

Mr Magelssen was not authorised to enter into the three-year charterparty; to do so was not within the usual authority of an employee in his position and Armagas knew it; and Mundogas had done nothing to represent that he was authorised to do so.

The Court of Appeal rightly held that Mundogas was not vicariously liable in English law for Mr Magelssen's deceit.

Their Lordships agreed.

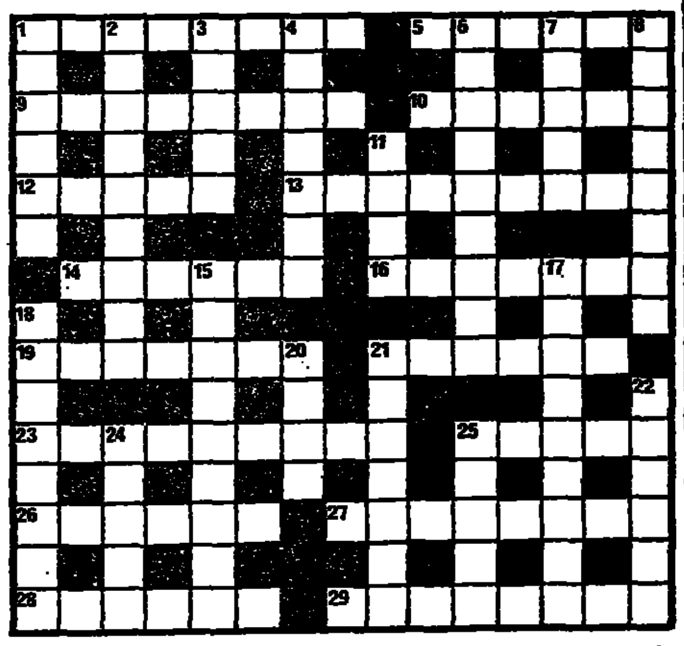
For Armagas: David Steel QC, Richard Mawrey QC and Simon Rainey (Bentleys Stokes & Lowless).

For Mundogas: Gordon Pollock QC and Richard Siberry (Freshfields).

By Rachel Davies
Barrister

FT CROSSWORD PUZZLE No 6,037

DANTE



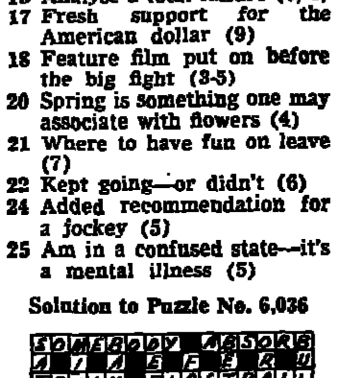
ACROSS

1 Sweetheart joins sergeant in dance (8)
5 Names include a famous soprano (6)
9 Organising Sue's opal wedding (8)
10 Get out a piece of fire-fighting equipment (6)
12 It's cold we hear, in the country (5)
13 Brandy and beer a sailor swallows very quietly (5-4)
14 Firm for horses (6)
16 Having a baby, but not coming out with the truth? (5-2)
19 Speak to one's home (7)
21 An exceptionally warm spring (6)
23 Peak rates for birds (9)
25 Artist who is male and French (5)
26 People enter for this sort of sport (6)
27 Put around by the perimeter (8)
28 Power in N. Ireland? (6)
29 Was aggressive at first, then changed course (8)

DOWN

1 Do some asset-stripping to run church (6)
2 Given the situation. Dad was brought up sharp (9)
3 Give out centre part of text due for revision (5)
4 A play on words? (7)
6 I stay true to the principle of self-denial (9)
7 Pack animal going up a road to Buckingham Palace (5)
8 Remarkable, this likeness? (8)
11 Ring a friend from the jewellers (4)
15 Analyse a total failure (5, 4)
17 Fresh support for the American dollar (9)
18 Feature film put on before the big fight (3-5)
20 Spring is something one may associate with flowers (4)
21 Where to have fun on leave (7)
22 Kept going—or didn't (6)
24 Added recommendation for a jockey (5)
25 Am in a confused state—it's a mental illness (5)

Solution to Puzzle No. 6,036



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Sentinel Funds Mngmnt Ltd
30 City Road, London EC1Y 2AY 01-628 6626

American Majors	72.6	77.7	+0.1	1.12
Amer Tech & Genl Fd	106.6	114.1	+0.7	0.55
European Growth	29.7	31.8	+1.0	0.09
European Income	35.5	38.0xd	+0.4	4.00
Exempt	535.4	572.9		2.09
Intnl Growth Fd	27.9	29.8	+0.5	0.13
International Income	91.7	97.6xd	+0.1	4.46
Jap Tech & Genl	94.2	100.8xd		0.01
Pacific Fund	159.7	170.9	-0.5	0.01
Secure Income Fd	172.5	184.6	+0.1	4.54
Small Co's Fd	97.1	99.9	-0.1	1.45
Special Sits	211.8	226.4xd	-0.3	2.18
UK General Fund	33.7	36.0xd	-0.5	2.32

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2 2XZ 0800 393777

Managed Trust Acc.	24.2	25.9	+0.1	3.0
UK Equity Gth Tst Acc	24.2	25.9	+0.1	2.00
UK Equity High Inc Inc	24.1	25.8	—	5.00
UK Equity Gen Tst Acc	27.7	29.7	—	3.10
UK Equity Gen Tst Inc	25.0	26.8	—	3.14
Gilt & Fxd Int Tst Inc	23.5	25.0	-0.1	8.0
Nrth Amer Tst Acc	25.3	27.0	+0.2	2.00
Far East Trust Acc	24.1	25.8	+0.4	0.75
European Trust Acc	23.3	25.0	+0.2	1.25

Stewart Ivory Unit Trust Mgrs Ltd (z)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	238.6	254.1	+2.0	2.30
(Accum. Units)	267.9	285.3	+2.2	2.30
(Withdrawal Units)	160.5	170.9	+1.4	2.30
Australian Fund	118.5	126.2	-1.4	1.09
(Accum. Units)	120.5	128.3	-1.4	1.09
British Fund	586.9	625.1	+1.9	4.44
(Accum. Units)	790.6	842.0	+2.5	4.44
European Fund	257.7	274.5	+2.2	1.03
(Accum. Units)	271.4	289.0	+2.2	1.03
Japan Fund	287.4	306.1	+1.1	0.23
(Accum. Units)	288.8	307.7	+1.4	0.23
Sales PPP	158.2	166.4	—	—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst	386.0	410.6	+0.2	2.24
North America	61.1	65.0	-0.4	1.02
Far East	70.9	75.4		0.04

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

American Growth Acc	34.0	36.2		1.4
American Income Acc	32.7	34.7	+0.2	5.5

Abbey Life—Continued
Pension Funds

Property	350.3	368.8	-3.4	—
Equity	758.1	798.0	-3.7	—
Selective	248.4	261.5	-0.7	—
Managed	611.8	644.1	-2.9	—
Security	329.6	347.0		—
Fixed Int.	203.9	214.7	-0.4	—
European	165.6	174.4	-2.4	—
American	228.1	240.2		—
Japan	227.7	239.7	-1.0	—

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01-833 2903
Life Funds (Accumulator Units)

Squirrel	10.48	11.04		—
Bear	11.22	11.82		—
Owl	11.65	12.27	+0.01	—
Bull	12.81	13.49	+0.06	—
Stag	12.36	13.02	-0.05	—
Gilt-Edged		11.22		—
Deposit		9.64		—

Pension Funds (Accumulator Units)

Squirrel	11.09	11.68		—
Bear	12.05	12.69		—
Owl	12.55	13.22		—
Bull	14.29	15.05	+0.10	—
Stag	13.74	14.47	-0.04	—
Gilt-Edged		11.29	+0.01	—
Deposit		9.75	+0.01	—

Exempt Approved

Mixed Managed	130.36	133.03	+0.24	—

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar 0707 42311

Equity Fd. Acc.(z)	708.5	745.7	-2.2	—
European Fd Accum(z)	185.4	195.1	-3.1	—
Fixed Int. Acc.(z)	305.7	321.7	-2.6	—
Gtd. Money Fd Ac.(z)	197.0	207.4	+0.1	—
Intl. Man. Fd. Acm.(z)	299.1	314.8	+0.6	—
Intl Fxd Int Fd Acc(z)	175.0	184.2	-0.6	—
Japan Fund(z)	226.2	238.0	-1.1	—
Nth American Fd Acc(z)	171.9	180.9	+1.5	—
Prop. Fd. Acc.(z)	199.1	209.6	+0.1	—
Multiple Inv. Acc.(z)	499.8	526.0	-1.2	—

Pension Funds

Eq Pen Fd Acc(z)	1274.9	1341.6	-5.6	—
Euro Fd Acc(z)	232.6	244.8	-5.6	—
Fixed Int. Acc.(z)	571.3	601.3	-6.9	—
Gt Money Pn Acc(z)	318.7	335.4	+0.1	—
Intl Man Fd(z)	421.0	443.1	+1.3	—

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ... $17.20 ... -0.26 —

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ... $16.27
Inv. Adv.: W. & G. Inv. Mngt. Ltd. London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ... $15.56
Dynamic Gwth Fd ... $17.28

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ... $11.64 12.34

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	9.9		—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST 01-236 0952				
Call Fund	10.02	7.49	10.93	6-mth
7-day Fund	10.20	7.63	11.14	6-mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.56	7.16	10.27	6-Mth
7-day Fund	9.65	7.21	10.34	6-Mth
Dollar	5.81		—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Fst Service Cur Acc.	9.25	6.80	9.82	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qtr
Mth. Int. Chq	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HICA	10.5	7.85	11.46	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH 01-628 8060				
Money Mkt Cheque Acc	9.40	7.02	10.22	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.50	7.10	10.3338	Qtr
Britannia Investment Services Ltd. 74-78 Finsbury Pavement, EC2A 1JD 01-588 2777				
Cater Allen	9.50	7.10	10.3338	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	9.625	7.19	10.47	Mth
U.S. Dollar	6.25	4.67	6.72	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss Francs	1.50	1.12	1.59	Mth
Japanese Yen	4.50	3.36	4.50	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-741 4941				
Money Market Plus	£5,000+	7.40	10.79	Mth
For other rates please phone our Raleline 01 846 9768				
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543				
£500-£2,500	6.69	5.00	7.18	Qtr
£2,500+	9.38	7.00	10.13	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE 0803 862271				
Money Mkt Acc	9.50	7.10	10.30	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc	10.00	7.47	10.00	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc	9.40	7.02	10.22	Mth
Legal & General (Money Mngrs) Ltd 355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc	10.37	7.75	11.11	6-mth
Lloyds Bank PLC 71 Lombard St, London EC3P 3BS 01-626 1500				
HighIntCheque Account	9.80	7.20	10.42	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH 01-409 3434				
14-Day Notice	9.75	7.47	10.52	—
M & G/Kleinwort Benson M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	9.31	6.96	10.12	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc	9.03	6.75	9.51	Qtr
£10,000+	9.36	7.00	9.86	Qtr
NatWest Special Reserve Account 41 Lothbury, London, EC2P 2BP 01-256 9933				
£2,000 to £9,999	9.25	6.875	9.94	Qtr
£10,000 and above	9.375	7.00	10.12	Qtr
Oppenheimer Money Mgmnt Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt. Acts	9.125	6.82	—	3-Mth
Phillips & Drew Trust Ltd 120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	10.00	7.48	10.83	Qtr
Provincial Trust 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc	10.50	7.85	11.43	Mth
Royal Bank of Scotland plc 42 St Andrews Sq, Edinburgh EH2 2YE. 031-557 8202				
Premium Account	9.70	7.25	10.49	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H I B A	9.23	6.90	10.06	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	9.73	7.27	10.52	Qtr
Money Acc	9.69	7.25	10.49	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	9.00	6.73	9.77	Mth
Over £10,000	9.25	6.90	10.03	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 1SE 0752 24141				
High Int Chq Acc	10.00	7.48	10.83	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR. Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk	44
BOC Grp	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	20	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	22
Brit. Telecom	17	TI	42
Brown (J)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit Oil & Min	2½
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	50	Charterhall	3
'Imps'	28	Premier	3½
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Strike hits biggest US aluminium producer

By David Owen in Chicago

ABOUT 15,000 workers representing two unions at Alcoa, the largest US aluminium producer, went on strike at the weekend, having rejected the company's final wage proposal. Some 9,600 workers from the same two unions will, however, continue working at Reynolds, the second largest producer, despite the breakdown in negotiations.

The companies rejected a final proposal called for wage and benefits concessions, estimated by the unions at $1.19 an hour and the companies at $1.15, together with adjustments to the associated cost-of-living formula. This was down from their initial demands for cuts totalling $2.90 an hour. "They are still asking for concessions without giving anything in return," said Mr John Murphy of the Aluminum, Brick & Glass Workers' Union.

Workers have been holding out for stock options and profit-sharing arrangements, such as those which have featured in recent steel industry agreements, in return for concessions.

Aluminium futures markets in London and New York reacted positively to the news of the Alcoa stoppage.

By mid-morning yesterday, aluminium prices at Commodity Exchange Incorporated in New York had climbed just over 1 cent to 55.40 cents a lb for the active contract months. On the London Metal Exchange, cash aluminium closed up £18 at £806.50 a tonne.

Alcoa's management is understandably "disappointed" at the unions' decision to single out the company. The move "threatens the very Alcoa jobs the company sought. . . to preserve in these negotiations," according to Mr C. Fred Fetterolf, the president and chief operating officer.

"We got the impression that Alcoa was the power behind the package and that the company was showing little or no interest in a settlement," retorted Mr Murphy. "There are five Alcoa and three Reynolds locations where the companies are seeking *bigger concessions than* those in the final offer," he added.

The company's management is to start operating its production facilities in a bid to minimise the impact of the strike action. "For the moment, this only applies to the smelters," a company official said: "I couldn't say what impact, if any this will have on the rate of production," he added.

● Alcoa is shutting down its Vancouver, Washington, smelter. "We decided not to use salaried personnel to operate the plant and an orderly shutdown is going on with co-operation between labour and management," a plant official said.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)

	(tonnes)
Aluminium	−325 to 137,650
Copper	+575 to 133,950
Lead	−1,075 to 58,350
Nickel	+696 to 7,638
Tin	−1,250 to 55.165
Zinc	−1,375 to 45,100
	(ounces)
Silver	−1,070,000 to 37,462,000

UK may lose Rustenburg Platinum refining

BY STEFAN WAGSTYL

JOHNSON MATTHEY, the precious metals group, and Johannesburg Consolidated Investment, the South African mining house, are close to a decision on plans to end refining primary platinum in the UK.

A decision to switch primary platinum refining, from Royston, Hertfordshire, to Wadeville, Johannesburg, would mean that all South African-mined platinum would be refined in South Africa. The two companies, which both are related to South Africa's Anglo American group, control production of metal from Rustenburg Platinum Mines, the world's largest producer.

The two other major producers—Impala Platinum, part of the Gencor group, and Western Platinum, which is controlled by Lonrho — refine their output in South Africa.

A substantial amount of Rustenburg platinum has long been refined at Wadeville. But more than a year ago Matthey Rustenburg Refiners, which is jointly owned by Johnson Matthey and by Rustenburg Platinum Holdings (in which JCI is the biggest shareholder), started a study into plans for building a new refinery at Wadeville.

Mr Joe Stevenson, deputy managing director of Johnson Matthey and chairman of Matthey Rustenburg Refiners, said yesterday that the study was nearly completed and a decision was "imminent." Mr Gordon Waddell, JCI chairman, said in South Africa recently that he hoped a decision would be taken by the end of June.

It is clearly in the strategic interest of South Africa, which last year supplied 85 per cent of the Western world's platinum, to tighten its grip on primary refining. However, refineries outside South Africa, including Johnson Matthey's Royston plant, would continue refining secondary metal—recycling spent catalysts, for example.

But it is understood that any decision by Matthey Rustenburg Refiners would be taken primarily on financial grounds—a new refinery, incorporating the latest solvent extraction technology developed by Johnson Matthey at Royston, would be cheaper to operate than existing plants. It would take two or three years to *build*—so production at Royston would be unlikely to fall off before 1988 at the earliest.

The decision would almost certainly not affect Johnson Matthey's lucrative contract for marketing Rustenburg metal.

Sri Lanka aims to revive sagging tea sales

BY JOHN ELLIOTT AND MERVYN DE SILVA IN COLOMBO

SRI LANKA has launched a major selling drive in four countries to boost its sales of tea, which have slumped in the past year. Orders have fallen sharply and auction prices have hit a three-year low, below the cost of production.

A campaign has been started in Pakistan, Egypt, the US and the USSR to recoup lost markets.

Sri Lanka's main domestic problem has been a scare in January that the country's tea had been poisoned with arsenic. This was started by an extremist Tamil group.

Tea shipments to countries such as the US, Canada and Italy have become more costly because of extensive inspections by officials of all cargoes. There also continuing consumer resistance to Sri Lankan teas, although no evidence of arsenic has been found.

For over a century tea has been the mainstay of Sri Lanka's three - crop export trade. (The other two are rubber and coconuts.) It remains the largest source of foreign exchange generating more than a third of the country's export receipts, and employs almost 500,000 people, or 10 per cent of the work force.

Last year tea production increased by 3 per cent, or 6.1m kilos, following a 27.8m kilo increase in 1984. This brought the total to 214.1m kilos, the highest since 1971.

But at the most recent auctions the price has dropped to a three-year low of Rs 27 (63p), which is less than the average cost of production of Rs 35 and compares with an average of Rs 77.2 last season.

Pakistan was the biggest buyer of Sri Lankan tea in 1981, purchasing 22m kilos, but last year this dropped to 7.4m kilos because Pakistani private sector importers switched to cheaper Kenyan teas.

A Sri Lankan delegation of Trade Ministry officials and private sector traders went to Pakistan in April and offered a contract to buy 70,000 tonnes of Pakistani rice as an inducement to private sector tea traders.

The second major target is Egypt where dealings may be easier because they are government-to-government. A delegation is due over the next few days in Egypt, which was the top buyer of Sri Lankan tea last year (1985) at 32.2m kilos but which has kept out of the Colombo auctions since February.

Mr Ronnie de Mel

"Egypt has foreign exchange problems. There is a huge trade balance in our favour," says Mr Lakshman de Mel, permanent secretary of the Trade Ministry, who will lead the delegation. Egypt paid over Rs 2bn for Sri Lankan tea last year while Sri Lanka purchased Egyptian goods worth only Rs 55m.

The USSR returned to the Colombo auctions in April after an absence of four months, and its presence helped push prices up by R52 per kilo. The USSR complains, like Egypt, that the trade balance is too heavily against it so Sri Lanka now hopes to start to correct this by buying tea chests and plywood from the Soviets.

The importance of the US in the tea market was increasing until the poison scare broke, with purchases rising from 8.5m kilos in 1984 to 10.5m kilos last year. Now sales have been hampered by the consumer reaction and by strict US food and drugs laws which lead to expensive delays in clearing cargos.

Tea purchases have also fallen off from Gulf countries, a fast growing market until oil prices dropped. Brokers Forbes and Walker say that some Gulf buyers have become heavily over-stocked because they made early purchases, anticipating that the Iran-Iraq war might disrupt shipping.

The misfortunes of the tea industry have come at a critical time for Sri Lanka because of the country's ethnic disturbances which have hit economic development and led to a soaring defence budget. Until last year high tea prices had been helping to counteract the effects of falls in tourism.

Mr Ronnie De Mel, the Finance Minister, stresses that there are internal as well as international market problems. "The tea produced in an estate a few miles away from mine fetches twice the price because of its superior quality, and much of that credit goes to the energy and intelligence of its young owner who is quite new to the business," says Mr De Mel. "The plantations have been run down after land reform. Management and supervision at the factory level is poor. The best planters have left the country or do not like to work for the state corporations."

● With the help of a $55m loan from the World Bank's International Development Association and another $150m raised from the Asian Development Bank, Sri Lankan institutions and the Governments of Norway and the Netherlands, the Sri Lankan Government has launched a new project to increase tea, rubber and coconut production.

New Zealand's bitter harvest

FARMER'S VIEWPOINT

By John Cherrington

NEW ZEALAND farmers used to pride themselves on their independence from government subsidies and on the fact that they were the cheapest suppliers of meat, wool and milk in the world. So they were, and probably still are, but today they are in deep depression, mobbing Ministers' storming Parliament, cutting back on all forms of expenditure and cutting the throats of unsaleable ewes in the streets of Christchurch. Yet when I was there in March last year they were relatively happy, having swallowed their pride about subsidies 10 years before.

This began under a previous Labour Government, which 10 years ago introduced a scheme to increase the numbers of cattle and sheep with financial incentives. The policy was developed by Sir Robert Muldoons' National Party, which introduced deficiency payments to maintain producer returns for wool and meat and also subsidies for fertilisers, bank interest and many other production inputs. There were also wage and price controls which limited input prices.

Mr Muldoon's policy of farm subsidisation had a crude logic. New Zealand's economy was traditionally supported by pastoral production: it still depends on this sector for 60 per cent of exports. Therefore pastoral earnings had to be kept up.

Over the 10 years output certainly rose, but the incentives, while helping farmers, attracted many outsiders which raised the price of land and automatically increased borrowings. At the same time there were difficulties in marketing the increased supplies of meat, particularly lamb. Just when this crisis was coming to the boil the Labour Party won the 1984 election and by devaluing the NZ dollar by 20 per cent effectively raised the returns to the whole exporting sector.

The new Government's Finance Minister, Mr Roger Douglas, then set about purifying in economic terms, the rest of the country's economy. All the paraphernalia of protection that the economy had enjoyed was to be swept away and the resulting exposure to world competition, it was assumed, would be bound to start curing New Zealand's ills.

Farmers had long been complaining about urban and industrial protection, and had never been really happy with their own subsidisation. So no one was keener to support Mr Douglas than Federated Farmers and its president, Mr Peter Elworthy. In return for a commitment to float the NZ dollar Federated Farmers agreed to the wiping out of almost every incentive, inducement and farming support there was.

Farmers believed that the rest of the economy would be as docile as they were, and agree to the abolition of protection to the supplying industries, keep wages reasonable, and work together for the common good. It was thought that any sectional disadvantage to farming would be compensated for by a fall in the NZ dollar which would cheapen exports while increasing returns to the farming sector in NZ dollar terms. But as with so many human propositions which seem a good idea at conception, things soon began to go wrong.

Instead of falling the NZ dollar actually rose against the Australian and American currencies and only fell marginally against sterling. This meant an actual price reduction in NZ currency terms. Prices of sheep meat crashed and mutton sheep were not worth killing. Wool, which amounts to half the income for the sheep sector has fared a little better but is suffering from Australian competition and the fall in the US dollar.

Dairy farmers *maintained* their income, thanks to the residue of their reserve fund. But that is now exhausted, and farmers face a certain drop of 30 per cent in returns.

At the same time commercial interest rates have shot up to between 22 and 24 per cent for farmers' loans with the few cheaper loans being phased out. Slaughterhouse workers struck, stopping the slaughterings for weeks. But much of the protection for the local industrial sector is still in place. No doubt Government has to take notice of the urban numbers.

There are no accurate figures for the number of farmers at risk and there have been few if any forced sales, mainly because no lending agency wishes to pull out the plug and let the value of their collateral plummet. The application of fertiliser is down by about 50 per cent and there have been failures and amalgamations in the supplying industries. The Government has told farmers that there can be no short-term relief as there was in the 1930s. Nor could there be an acceleration of the removal of tariffs and a devaluation because, in the words of a joint statement by Mr Colin Moyle, the Minister of Agriculture, and Mr Douglas: "Such action would massively increase urban unemployment on a scale surpassing rural dislocation. As farming now enters the adjustment phase the bitter cruelty of the soft-option policies of Mr Muldoon's has persuaded them to ignore their own interests is now glaringly apparent. The major difference between them and other thriving exposed sectors such as tourism is the price the market is prepared to pay for their goods. The pain created by the need to adjust will not be cured by more subsidies. That would merely push land prices back up, lead to more uneconomic development plus more debt."

Harsh words indeed, particularly as Mr Moyle was a member of the Government which brought in the stock incentive schemes in the first place. But perhaps Mr Douglas understands more clearly than most that the days of New Zealand as an exporter of farm products are almost over, that the spread of protectionism in the EEC, self-sufficiency in many former markets, and subsidised exporting by the EEC and the US, leave him with no option.

It is perfectly true, as many New Zealanders claim, that their country is the most efficient low-cost producer of pastoral products in the world. But in the modern world such excellence counts for nothing, particularly when almost every exporting country is suffering in the same degree.

In public the New Zealand establishment says little about this. But I have received so much private correspondence and news of personal tragedies among the farming population there that I thought it would serve as an awful warning should the economic well-being of our farming fall victim to the economic dogma of a Mr Douglas.

LONDON MARKETS

A SHARP fall on the London coffee futures market yesterday was almost entirely a reflection of the late sell-off in New York on Friday night, after the London market had closed. The July position in London ended the day £85.50 down at £1,818.50 a tonne while the September quotation lost £69 to £1,864 a tonne. But dealers described the tone as "surprisingly steady." Most operators tended to shrug off the Brazilian Coffee Institute's long-awaited update of its 1986-87 production forecast which put the crop currently being harvested at 14.7m bags (60 kilos each), towards the upper end of the 13m to 15m bags range recently talked about in the market. Some unexpected fresh selling was seen from the Ivory Coast but the market was buoyed by light profit-taking buying following the recent substantial decline.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

COPPER

LEAD

NICKEL

TIN

ZINC

GOLD

SILVER

MEAT

INDICES

REUTERS

DOW JONES

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

COCOA

COFFEE

SOYABEAN MEAL

GRAINS

RUBBER

COTTON

POTATOES

TEA

US MARKETS

SUGAR CONTINUED Friday's rise on good chart buying by commission houses with a prominent fund the main buyer, reports Heinold Commodities. The trade was noticeably absent. The market closed near the highs which was technically a constructive sign. Coffee followed its weaker trend of Friday after the higher than expected crop report by the IBC of 14.7m bags and the official lowering of the Brazilian coffee export price to 206c per pound. The July position finished 3.51c lower and traders are now looking for a gap at 175c to be filled. Physical business remained very slow. The grain markets were lacklustre, trading in a narrow range.

NEW YORK

CHICAGO

SUGAR

FREIGHT FUTURES

OIL

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar down from early highs

The dollar relinquished all of its early gains in currency markets yesterday, showing insufficient impetus to push through upper resistance levels. There was still a good deal of uncertainty surrounding the US unit. While many dealers agreed that the dollar's base level may have been *established* for the time being, there was still indecision about the extent of any possible recovery. This apparent lack of conviction was complicated further by comments made by Mr Martin Feldstein, former chairman of the US council of economic advisors, in which he claimed that the dollar's fall below current levels would be *substantial.*

Much of the bullishness built up over the weekend had been based on better than expected US trade figures and a growing suspicion that the US Administration was unlikely to call for a weaker dollar. However, yesterday's mildly encouraging economic statistics which included a 0.1 per cent rise in April factory orders and construction spending up by 0.8 per cent, were brushed aside as the dollar surrendered *to profit* taking after the start of trading in New York.

The dollar touched a high of DM 2.3445 against the D-mark before coming back to close at *DM 2.3230 down from DM 2.3250* on Friday. It also finished weaker against the Swiss franc at *SFr 1.9280 from SFr 1.9320,* but rose against the yen to Y174.9 from Y174.50. This was still some way below the day's high of Y176.65. Elsewhere it *eased* to *FFr 7.40 from* FFr 7.4075. On Bank of England figures, the dollar's exchange rate inde— rose to 119.1 from 118.7.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3770. May average 1.5202. Exchange rate index rose to 76.3 from 76.0, having opened at 76.1. The six months ago figure was 81.3.

Sterling was confined to the sidelines for much of the day and *seemed content to hold on* to recent levels against its European trading partners while fluctuating against an erratic US dollar. It closed at $1.4740 up from $1.4725 but was *unchanged against the D-mark* at DM 3.4250. It was also unchanged against the French *franc at FFr 10.9075. Elsewhere* it eased to SFr 2.845 from SFr 2.8450, but improved to Y257.75 compared with Y257.0.

D-MARK — Trading range against the dollar in 1986 is *2.4718 to 2.1640. May average* 2.2295. Exchange rate index 133.3 against 129.7 six months ago.

The D-mark recovered early losses against the dollar in Frankfurt yesterday as the US unit attracted profit taking. The weaker trend followed *comments by an ex US* official claiming that the dollar would fall substantially below its current level. Better than expected US economic statistics were ignored for the time being. The dollar closed at DM 2.3170 after opening at DM 2.3355 and Friday's close of DM 2.3190. Earlier it had been fixed without Bundesbank intervention at DM 2.326.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 161.65. May average 167.01. Exchange rate index 199.3 against 177.2 six months ago.

The yen lost ground against the dollar in Tokyo yesterday with the dollar still benefiting from renewed bullishness about the possibility of an economic upturn. The US unit rose to Y176.30 from Y174.70 in New York and Y172.0 in Tokyo on Friday. Analysts were soon pointing to the possibility of the *dollar touching Y180 although* some suggested that further signs of an economic recovery *would be a prerequisite.* The Japanese Government would certainly be happier to see the *yen depreciate ahead of next* month's general election with the dollar's fall over the past *year causing an increasing* squeeze on Japanese export profit margins.

£ IN NEW YORK

Latest	June 2	Prev. close
£ Spot	$1.4790-1.4800	$1.4725-1.4735
1 month	0.39-0.35pm	0.37-0.36pm
3 months	1.02-0.98pm	1.01-0.98pm
12 months	2.90-2.78pm	2.90-2.80pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

June 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4645-1.4820	1.4735-1.4745	0.40-0.37c pm	3.13	1.00-0.96	2.66
Canada	2.0365-2.0515	2.0430-2.0460	0.32-0.23c pm	1.61	0.62-0.48 pm	1.08
Nethlnd.	3.84½-3.86⅝	3.84¾-3.85¾	1¼-1⅛c pm	3.89	3⅞-3¾ pm	3.89
Belgium	69.73-70.18	69.85-69.95	20-15c pm	3.00	49-39 pm	2.52
Denmark	12.64¼-12.70⅞	12.67¼-12.67¾	3½-2½ ore pm	2.78	7½-6½ pm	2.19
Ireland	1.1250-1.1315	1.1280-1.1290	par-0.08p dis	−0.43	par-0.15 dis	−0.27
W. Ger.	3.41½-3.44½	3.42-2.43	1½-1⅜pf pm	5.01	4¾-4½ pm	5.26
Portugal	223.29-229.13	228.03-229.13	80-310c dis	−10.28	245-840 dis	−9.54
Spain	217.77-218.95	217.77-218.14	20-60c dis	−2.20	85-180 dis	−2.25
Italy	2338-2356	2343-2344	1-6 lire dis	−1.79	8-13 dis	−1.82
Norway	11.52⅞-11.58½	11.53-11.54	4½-4⅞ ore dis	−4.94	12-13¼ dis	−4.36
France	10.88¼-10.94¾	10.90¾-10.91¾	2⅞-2⅜c pm	2.82	6¾-6 pm	2.34
Sweden	10.86¾-10.92⅝	10.87-10.88	¼ore pm—½ dis	−0.21	½-1½ dis	−0.34
Japan	257-259¼	257½-258½	1½-1⅛y pm	5.82	3¾-3½ pm	5.04
Austria	23.85-24.15	24.05-24.09	11½-10¼gro pm	5.42	28½-25¾ pm	4.50
Switz.	2.82½-2.85¾	2.83¾-2.84¾	1⅜-1¼c pm	5.80	3¾-3½ pm	5.10

Belgian rate is for convertible [illegible] financial franc 70.20-70.30
Six-month forward dollar 1.78-1.73c pm. 12-month 2.90-2.80c pm

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4645-1.4820	1.4735-1.4745	0.40-0.37c pm	3.13	1.00-0.96 pm	2.65
Ireland†	1.2970-1.3085	1.3075-1.3085	0.38-0.31c pm	3.17	1.00-0.80pm	2.76
Canada	1.3830-1.3895	1.3885-1.3895	0.17-0.20c dis	−1.60	0.55-0.60dis	−1.65
Nethlnd.	2.5990-2.6325	2.6125-2.6135	0.20-0.17c pm	0.84	0.80-0.75 pm	1.16
Belgium	47.25-47.78	47.40-47.45	par-2c dis	−0.25	par-5 dis	−0.42
Denmark	8.56¼-8.66½	8.59¾-8.60¼	0.05-0.55ore dis	−0.41	0.95-1.45dis	−0.55
W. Ger.	2.3100-2.3445	2.3225-2.3235	0.54-0.51pf pm	2.70	1.49-1.44pm	2.51
Portugal	154½-155½	154¼-154¾	100-280c dis	−13.63	275-675dis	−12.24
Spain	147.30-149.27	147.80-147.90	53-70c dis	−4.97	145-175 dis	−4.31
Italy	1587-1602	1589½-1590½	5½-8 lire dis	−5.08	15½-19 dis	−4.32
Norway	7.81-7.87¾	7.82¼-7.82¾	5.20-5.30ore dis	−8.04	13.80-14.20d	−7.14
France	7.37-7.45½	7.39¾-7.40¼	0.20-0.35c dis	−0.44	0.60-0.65dis	−0.39
Sweden	7.35½-7.42½	7.37½-7.38	2.00-2.20ore dis	−3.40	[illegible]	[illegible]
Japan	174.20-176.65	174.85-174.95	0.42-0.37y pm	2.70	1.08-1.03pm	2.41
Austria	16.28¾-16.45¾	16.33¼-16.38½	3.20-2.70gro pm	2.39	8.00-6.50 pm	1.77
Switz.	1.9130-1.9460	1.9275-1.9285	0.42-0.37c pm	2.45	1.18-1.14 pm	2.41

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.
Belgian rate is for convertible francs. Financial franc 46.60-46.70.

EXCHANGE CROSS RATES

Jun. 2	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.474	3.425	257.8	10.91	2.853	3.855	2344.	2.044	69.90
$	0.678	1.	2.323	174.9	7.400	1.928	2.613	1590.	1.387	47.46
DM	0.292	0.430	1.	75.26	3.185	0.830	1.125	684.3	0.597	20.41
YEN	3.880	5.719	13.29	1000.	42.32	11.03	14.95	9092.	7.930	271.2
F Fr.	0.917	1.351	3.140	236.3	10.	2.606	3.532	2149.	1.874	64.52
S Fr.	0.352	0.519	1.206	90.68	3.837	1.	1.355	824.5	0.719	24.08
H Fl.	0.260	0.383	0.889	66.90	2.831	0.738	1.	608.3	0.531	18.14
Lira	0.427	0.629	1.461	110.0	4.654	1.213	1.644	1000.	0.872	29.83
C $	0.489	0.721	1.676	126.1	5.336	1.391	1.885	1147.	1.	34.20
B Fr.	1.431	2.109	4.900	368.7	15.60	4.067	5.511	3353.	2.924	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

June 2	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	10⅛ 10⅜	10⅛-10¼	10-10⅛	9¾ 9⅞	9⅝-9¾	9⅞-9⅝
U.S. Dollar	6⅞ 6⅞	6⅞-7⅛	7-7⅛	7-7⅛	7⅛-7⅜	7¼-7⅜
Can Dollar	8⅛-8⅝	8⅛-8⅝	8⅜-8⅝	8⅜-8⅝	8⅜-8⅝	8¾-9
D Guilder	6⅝-6⅝	6⅝-6⅝	6⅛-6¼	6⅛-6⅜	5⅜-5⅝	5⅜-5⅝
Sw. Franc	3⅞ 4	4⅛-4⅜	4⅞-5	4¾-4⅞	4⅜-4⅝	4⅝-4¾
Deutschmrk	4⅝ 4¾	4⅜-4⅝	4⅜-4⅝	4⅜-4⅝	4⅝-4¾	4¾-4⅞
Fr. Franc	7⅜-7⅝	7⅛-7⅞	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜
Italian Lire	9-11	11½-13	11¼-12	11⅛-11⅝	11⅛-11⅝	11⅜-11⅞
B.Fr.(Fin)	7⅜-7⅝	7⅜-7⅝	7¼-7½	7¼-7½	7¼-7½	7¼-7½
B.Fr.(Con)	7⅛ 8	7⅛-7⅞	7⅛-7⅝	7⅛-7⅝	7⅛-7⅝	7⅛-7⅝
Yen	4⅝-4⅞	4⅜-4⅞	4⅜-4⅞	4⅜-4⅞	4¾-4⅞	4⅜-4⅞
D. Krone	7⅛-8	8-8⅛	8-8⅛	8⅛-8⅝	8⅛-8⅝	8⅛-8⅝
Asian $ (Sng)	7-7⅛	7-7⅛	7-7⅛	7-7⅛	7⅛-7⅜	7⅛-7¼

Long-term Eurodollars: Two years 7¾-8 per cent; three years 8¼-8½ per cent; four years 8½-8¾ per cent; five years 8¾-8⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY MOVEMENTS

June 2	Bank of England Index	Morgan Guaranty Changes%
Sterling	76.3	−14.9
U.S. dollar	119.1	+9.2
Canadian dollar	79.6	−11.9
Austrian schilling	134.3	+6.8
Belgian franc	94.5	−7.7
Danish Krone	84.4	−1.7
Deutsche mark	133.3	+15.8
Swiss franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

June 2	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	[illegible]	[illegible]
US $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch	[illegible]	[illegible]	[illegible]
Belgian Fr	[illegible]	[illegible]	[illegible]
Danish Kr	[illegible]	[illegible]	[illegible]
D'mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norway Kr	[illegible]	[illegible]	[illegible]
Span'h Pta	[illegible]	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]	[illegible]
Greek Dr'ch	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

* CS/SDR rate for May 30: 1.57708.

OTHER CURRENCIES

May 30	£	$
Arg'tina	[illegible]	[illegible]
Aus'alia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
H'kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Lux'burg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
N'Z'land	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Sin'pore	[illegible]	[illegible]
S.Af.(Cm)	[illegible]	[illegible]
S.Af.(Fn)	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 2	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	±1.5388
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	±1.6408
German D-mark	[illegible]	[illegible]	[illegible]	[illegible]	±1.1202
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	±1.3701
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	±1.5081
Irish Punt	[illegible]	[illegible]	[illegible]	[illegible]	±1.6668
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	±4.0788

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

	June 2	Previous
8.30 am	76.1	76.2
9.00 am	76.2	76.3
10.00 am	76.2	76.3
11.00 am	76.2	76.3
Noon	76.2	76.3
1.00 pm	76.2	76.2
2.00 pm	76.2	76.2
3.00 pm	76.4	76.0
4.00 pm	76.3	76.0

FINANCIAL FUTURES

Eurodollars ease

Euro-dollar prices finished easier in the London International Financial Futures Exchange yesterday, failing to benefit from a stronger start. After opening at 92.84, the September contract attracted good buying up to a high in the morning of 92.88. Rumours about President Reagan's health were ignored but later in the day US bonds came in on a softer note, eroding early gains and leaving values to finish at the day's lows.

Three-month sterling deposits showed a firmer tendency, helped by early buying and easier cash rates. Weekend comment about inflationary fears and high UK unit labour costs tended to restrict the extent of the rally although a weaker dollar provided underlying support.

Gilt futures were less bouyant, influenced to a greater extent by US bonds and the sterling/dollar rate. After opening at 123-11, the September contract eased to 123-08 before rising quite strongly to a high of 123-24. This attracted sellers however and the price ended at 123-06 down from 123-21.

US bonds benefited from early buying and were boosted further as Chicago entered the market. However one or two sellers appeared at the higher level and this prompted a general unwinding and values finished down from Friday and towards the lower end of the day's range.

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last June	July	Aug	Sept	Puts—Last June	July	Aug	Sept
1.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open int. Calls [illegible] Puts [illegible]
Previous day's volume. Calls [illegible] Puts [illegible]

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last June	July	Aug	Sept	Puts—Last June	July	Aug	Sept
1.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open int. Calls [illegible] Puts [illegible]
Volume. [illegible]

Figures for business in Liffe long gilt futures options, £/$ options, Eurodollar options and US Treasury bond options were not available for this edition

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume [illegible]. Previous day's open int. — (14,310)
Basis quote (clean cash price of 13¼% Treasury 2000/03 less equivalent price of near futures contract) [illegible] (32nds)

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume [illegible]. Previous day's open int. — (1,445)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume [illegible]. Previous day's open int. — (17,691)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume [illegible]. Previous day's open int. — (2,339)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	91.86

Est. Volume [illegible]. Previous day's open int. — (21,673)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	94-11
Sept	[illegible]	[illegible]	[illegible]	93-28
Dec	[illegible]	[illegible]	[illegible]	93-07

Estimated volume [illegible]. Previous day's open int. — (8,122)

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	—	—	—	[illegible]
Sept	—	—	—	[illegible]
Dec	—	—	—	[illegible]
March	—	—	—	—

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

IMM—STERLING Se per £

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	—	—	—	[illegible]

LIFFE — STERLING £25,000 $ per £

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume [illegible]. Previous day's open int. — (1,363)

MONEY MARKETS

UK rates a little easier

UK clearing bank base lending rate 10 per cent since May 22

Trading was rather subdued in the London money market yesterday. Longer term rates eased an eighth of a point as sterling recovered with three-month interbank money quoted at 9½-9⅜ per cent compared with 9½-9 7/16 per cent on Friday. Overnight money reflected less than comfortable conditions however, with the Bank of England giving considerably less help than the published forecast. Money touched a high of 12½ per cent and a low of 10 per cent before finishing nearer 11 per cent.

The Bank of England forecast a shortage of around £800m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £1,027m and Exchequer transactions a further £80m. In addition banks brought forward balances £20m below target. These were partly offset by a fall in the note circulation of £350m. The Bank gave assistance in the morning of £177m through outright purchases of £74m of eligible bank bills in band 2 at 9½ per cent and in band 3 £2m of local authority bills and £101m of eligible bank bills all at 9⅜ per cent.

In Frankfurt the Bundesbank announced two sale and repurchase agreements, one covering 26 days and the other 63 days. Both will carry a fixed rate, 4.35 per cent for the shorter term facility and 4.40 per cent for the longer. Successful applicants will receive their funds on Wednesday to coincide with maturing agreements worth DM 11.9bn. Liquidity remained adequate yesterday as Bundesbank profits filtered back into the system.

The shortage was later revised to around £850m before taking into account the early help and the Bank gave additional assistance of £232m through outright purchases of £9m of eligible bank bills in band 1 at 9⅝ per cent, £159m in band 2 at 9½ per cent and £44m in band 3 at 9⅜ per cent. Late assistance came to £320m, making a total of £729m.

NEW YORK RATES
(Lunchtime)

Prime rate	[illegible]
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]
Treasury Bills & Bonds	
One month	[illegible]
Two month	[illegible]
Three month	[illegible]
Six month	[illegible]
One year	[illegible]
Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. June 2)

Three months US dollars		Six months US dollars	
bid 7	offer 7⅛	bid 7⅛	offer 7¼

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

June 2	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Depos.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Depos.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Depos.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 9⅜ per cent; three months 9⅜ per cent. Bank Bills (sell): one-month 9⅝ per cent; three months 9⅜-9⅜ per cent. Treasury Bills: Average tender rate of discount 9.4560 per cent. ECGD Fixed Finance Scheme IV reference date April 2 to May 6 (inclusive) 10.527 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11½ per cent from May 1 1986. Bank Deposit Rate for sums at seven days' notice 4.25-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9⅜ per cent; three-six months 9⅜ per cent; six-nine months 9⅜ per cent; nine-12 months 9⅜ per cent. Under £100,000 9⅜ per cent from May 30. Deposits held under Series 5 9⅜ per cent. Deposits withdrawn for cash 8⅜ per cent.

MONEY RATES

June 3	Over-night	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on June 2, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	9.87
Algeria	Dinar	7.20
Andorra	French Franc / Spanish Peseta	10.9075 / 217.96
Angola	Kwanza	44.85
Antigua	E. Caribbean $	3.969
Argentina	Austral	1.2725
Aruba	Florin	2.6530
Australia	Australian $	2.0765
Austria	Schilling	24.07
Azores	Portuguese Escudo	227.58
Bahamas	Bahama $	1.4740
Bahrain	Dinar	0.5525
Balearic Islands	Spanish Peseta	217.96
Bangladesh	Taka	43.40
Barbados	Barbados $	2.9650
Belgium	Belgian Franc	(cm) 69.90 / (fn) 70.25
Belize	B $	2.948
Benin	C.F.A. Franc	545.375
[illegible]	[illegible]	[illegible]
Ghana	Cedi	132.1650
Gibraltar	Gibraltar £	1.0
Greece	Drachma	214.05
Greenland	Danish Krone	12.6775
Grenada	E. Caribbean $	3.969
Guadeloupe	Local Franc	10.9075
Guam	U.S. $	1.4740
Guatemala	Quetzal	1.4740
Guinea	Franc	499.80 (19)
Guinea-Bissau	Peso	250.60
Guyana	Guyanese $	5.869
Haiti	Gourde	7.37
Honduras	Lempira	2.9732
Hong Kong	H.K. $	11.4688
Hungary	Forint	69.2724
Iceland	Icelandic Krona	61.375
India	Indian Rupee	18.80
Indonesia	Rupiah	1,661.0
Iran	Rial	119.70
Iraq	Iraqi Dinar	0.4672
Irish Republic	Punt	1.1285
[illegible]	[illegible]	[illegible]
Panama	Balboa	1.4740
Papua New Guinea	Kina	1.4125
Paraguay	Guarani	(355.01 (10) / 1,079.82 (7)
Peru	Inti	exc(A)20.65(16)
Philippines	Philippine Peso	29.30
Pitcairn Islands	£ Sterling / New Zealand $	— / 2.6260
Poland	Zloty	248.53
Portugal	Escudo	227.58
Puerto Rico	U.S. $	1.4740
Qatar	Qatari Ryal	5.3385
Reunion Isle de la	French Franc	10.9075
Romania	Leu	(cm) 6.78 / (N/C) 18.94
Rwanda	Rwanda Franc	133.94
St. Christopher	E. Caribbean $	3.969
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	3.969
St. Pierre	Local Franc	10.9075
St. Vincent	E. Caribbean $	3.969
[illegible]	[illegible]	[illegible]

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99⅞	98¼	Treas 8½pc 1984-86‡‡	99⅞	+⅛	8.51	9.91
102¾	100½	Exch 14pc 1986	101½	+⅛	13.76	9.50
98	94⅞	Exch 2½pc 1986	98½		2.54	5.77
102	100⅛	Exch. 13¼pc 1987	102⅛		12.96	9.45
100⅞	97	Treas 10¼pcCv '87	100		10.19	9.31
97⅛	92	Exch 2½pc 1987	97	−	2.58	6.49
101⅛	97½	Exch. 10½pc 1987	101	+	10.40	9.18
98⅝	93⅝	Funding 6½pc '85-87‡‡	98⅛		6.61	8.36
101⅛	96	Treas. 10pc 1987	100⅞		9.91	9.10
96	90⅞	Treas 3pc 1987	96⅝		3.10	6.19
104½	99⅛	Treas. 12pc 1987	103⅞		11.55	8.97
99⅛	92	Treas 7¾pc 1985-88‡‡	99		7.82	8.35
104	96⅛	Exch 10½pc '88	102		10.20	8.80
102⅞	95⅛	Treas 9¾pc Cv '88	101⅞	+	9.59	8.87
94⅛	86⅝	Transport 3pc '78-88	94⅛	+	3.18	5.99
102½	93	Treas. 9½pc '88	101⅛	+	9.39	8.94
107	98	Treas 11½pc 1989	106	+	10.83	8.87
103½	93⅛	Treas 9½pc Cnv. '89	101	+	9.33	8.76
92⅛	82	Treas 3pc 1989	91⅞		3.26	6.05
105	95	Treas 10½pc 1989	104	+	10.07	8.90
104	94⅛	Exch 10pc 1989	102⅞		9.71	8.90
107	97	Exch 11pc 1989	105	+	10.39	8.86
93	84½	Treas 5pc 1986-89	93		5.36	7.26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

MINES—Continued

O.F.S.

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
230	128	Beatrix Mines R1	128		15c	1.2	3.5
905	544	F.S. Cons. Gold 50c	544	–6	Z0160c	—	10.2
240	115	Free State Dev. 10c	115		Q15c	1.1	3.9
962	512	Harmony 50c	525	+13	Q265c	◆	15.0
410	198	Loraine R1	200	–3	Q75c	3.1	11.2
987	750	St. Helena R1	769	+19	Q450c	1.9	17.4
569	354	Unisel	400	+12	†Q150c	1.1	11.2
523	350	Welkom Gold Hldgs 50c	360		Q234c	1.0	19.9

Diamond and Platinum

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
£55	£32	Anglo Am. Inv. 50c	£44		Q810c	1.0	5.5
527	312	De Beers Dl. 5c	420	–5	Q55c	5.1	3.9
490	315	Do. 40pc Pf. R5	375	+25	Q200c	z	15.9
710	540	Impala Plat. 20c	540		Q135c	1.9	7.4
652	410	Lydenburg 12½c	475		†Q72c	1.0	4.6
790	500	Rus. Plat. 10c	560		†Q90c	1.4	4.8

Central African

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
210	155	Falcon Z$0.50	210xd	+17½	Q60c	◆	11.9
16	10	Wankie Col. Z$1	15		vQ5c	13.6	13.9
16	12	Zam Cpr SBD0.24	12		—	—	—

Finance

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
91	65	Alex Corp SA $1.50	70		Q7.5c	4.4	3.2
£13	750	Ang. Am. Coal 50c	750xd	+36½	Q240c	◆	9.5
£10¼	735	Anglo Amer. 10c	745		Q135c	2.0	5.4
£57½	£38	Ang. Am. Gold R1	£38		Q1450c	1.1	11.4
£40	£24	Anglovaal 50c	£28		†Q360c	2.9	3.8
22	11	‡Clogau Gold 10p	16		—	—	—
123	80	♥Cons. Alex Corp	80		hQ5½c	—	2.0
537	435	Cons. Gold Fields	447	+4	24.5	1.4	7.7
66	34	East Rand Con. 5p	42		1.0	2.1	3.4
820	500	Gencor R1	500		†Q170c	1.1	10.1
£10	590	Gencor 40c	775		Q195c	2.2	7.8
33	18	Gold & Base 12½c	24		—	—	—
975	650	Gold Fields S.A. 5c	650		†Q120c	2.0	5.5
£81	£49	Jo'burg Cons. R2	£58		Q875c	2.2	4.5
900	530	Middle Wit 25c	725		†Q105c	1.5	4.3
660	540	Minorco $BD1.40	540		Q22c	1.2	1.2

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
80	45	♥Colby Res Corp.	65		—	—	—
300	175	Cons. Murch. 10c	175		taQ8½c	3.9	‡
34	28	‡Ennex Int. Ir10p	33		—	—	—
101	70	Greenwich Res.	95		—	—	—
143	93	Hampton Areas 10p	142	+2	◆3.75	0.9	3.5
245	165	♥Highwood Res.	240	–5	—	—	—
£19½	£13¾	Homestake Mining $1	£15½	+¼	Q20c	—	0.9
310	90	♥McFinley Red Lake	90		—	—	—
285	195	♥Musto Explorations	200		—	—	—
51	35	♥New Sabina Res C$1	37		—	—	—
260	210	Northgate C$1	220	+5	—	—	—
790	513	RTZ	658	+3	22.0	2.8	4.7
£168	£115	Do. 9½pcLn '95-2000	£139½	+½	Q9½%	15.5	(7.0
950	800	♥Tara Expln $1	875		—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- ◆ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	122		Fin. 13% 97/02	£123⅞	
Craig & Rose £1	£13		Arnotts	320	
Finlay Pkg. 5p	43		CPI Hldgs	58	
Holt (Jos) 25p	810xd	+12½	Carroll Inds	175	
IoM Stm. £1	87		Dublin Gas	53	
			Hall (R. & H.)	77	
IRISH			Heiton Hldgs	28	
Fund 11¼% 1988	£103⅝		Irish Ropes	108	
Nat. 9¾% 84/89	£101		Unidare	190	

" Recent Issues " and " Rights " Page 38
(International Edition Page 42)

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
May 12	May 29	May 30	June 9
June 2	June 12	June 13	June 23
June 16	June 26	June 27	July 7

* "New-time" dealings may take place from 9.30 am two business days earlier.

Revised hopes of cheaper money help support drab markets

Easier rates for period money in London yesterday helped Gilt-edged securities rally from early dullness but failed to inspire investment enthusiasm for the bulk of leading equities. Some international stocks benefited from an initially firm dollar but the majority of blue chip issues drifted back in drab trading circumstances. The FT Ordinary share index closed 4.8 lower at 1316.4 after 1313.8.

The drain of market resources continued with Cadbury Schweppes announcing a vendor placing of 35m shares at the start of trading. For some time speculation has persisted of an imminent fund-raising operation so the share sale, at 155p per share, was not expected. The exercise raised £54m which will partly finance the acquisition of Canada Dry from Nabisco. The Food sector was also enlivened by a large deal involving 2.5m shares in leading retailer Sainsbury.

Investors generally paid little heed to the Hoare Govett forecast of UK base rates of 7½ per cent and inflation of less than 2 per cent by the year end. The moderately bullish tenor of the latest monthly CBI survey of manufacturing trends similarly had no noticeable impact on sentiment.

Business was confined largely to the usual barrage of weekend Press recommendations, which prompted many useful gains. Soon after mid-session, international issues fell from favour on unfounded reports concerning the health of President Reagan. This caused the dollar to retrace its steps against other leading currencies and sterling subsequently closed higher on balance at $1.4740 after touching $1.4645 earlier.

The early fall in the exchange rate made for an opening extension of Friday's uncertain tone in Government stocks. Switching from conventional to index-linked issues exacerbated the dull trend but investors later drew comfort from the events in money markets. The key three-months interbank rate eased to 9¾ per cent and thus revived hopes of lower base [illegible]

[illegible] profits downgrading of Barclays by stockbrokers Rowe and Pitman. Barclays fell away to close 13 down on balance at 487p, while Lloyds relinquished 8 at 547p and Midland cheapened 6 at 527p. NatWest closed 5 off at 755p. Elsewhere, Standard Chartered lost 7 to 793p awaiting further developments in the Lloyds bid situation. Among Merchant banks, Hill Samuel rose 11 to 404p on buying ahead of Thursday's preliminary results.

Highland Distilleries featured in an otherwise idle session in the Drinks sector, rising 5 to 89p amid fresh takeover speculation; Suntory of Japan were mentioned as possible suitors.

Leading Buildings plotted an irregular course in thin trading. Costain edged up a couple of pence to 558p, as did Taylor Woodrow, to 650p, but occasional selling clipped 4 from AMEC at 254p. By way of contrast, secondary issues provided several noteworthy features including Turriff Corporation, 15 higher at 175p in a restricted market and Robert M. Douglas, 10 up at 108p on revived speculative demand. Press comment stimulated Federated Housing which gained 6 to 156p and Sharpe and Fisher were 7 up at 113p for the same reason. Aberdeen Construction hardened a couple of pence to 152p following the chairman's confident annual statement, while Bett Brothers added a penny to 68p in reply to property acquisition news. Speculative buying boosted Raine Industries 4 to 54½p.

In the Chemical sector British Benzol gained 8 to 92p on buying ahead of Thursday's annual results, while Leigh Interests gained the turn to 115p awaiting today's preliminary figures.

Mail orders volatile

Mail order issues, unsettled late last week following the cautious tenor of the chairman's statement at Freemans' annual meeting, took a further knock on concern over the possible effects of a national postal [illegible]

[illegible]

rumours of a bid from "down-under," opened at 25p and eased to 23p immediately following news that Wyncon, a subsidiary of Australia's Westmex, is to inject around £9.6m into Charterhall by subscribing for 65m new ordinary shares at 14.75p a share, giving Wyncon control of 53.2 per cent of Charterhall's capital. Later in the session strong buying of Charterhall developed and the shares moved ahead to close 3 up on balance at 29p.

Although much steadier than in recent days, South African sectors of mining markets failed to register any significant gains. The heavy selling of last week, triggered by the attacks on neighbouring countries and worries over a South African bank, was absent at the outset of trading and dealers in Golds marked share prices higher as the bullion price moved ahead on rumours concerning President Reagan's health. However, a White House denial of the rumours saw the metal price turn easier and gold shares also gave ground to close with minor changes in either direction. The Gold Mines index showed a 0.4 rise at 215.5, while bullion settled a net $1.5 easier on the day at $342.

South African Financials moved similarly to Golds. Anglo American Corporation ended the session unaltered at 745p ahead of the interim results but De Beers, unsettled by US selling, eased 5 more to 420p. UK-based financials managed to record modest overall gains. Consolidated Gold Fields edged up 4 to 447p and Rio Tinto-Zinc hardened a few pence to 658p.

A quiet Australian mining market provided a handful of firm spots among Golds. Sons of Gwalia rose 7 to 187p in the wake of a newsletter recommendation, while Whim Creek put on 4 to 96p, as did Pancontinental, to 88p. Great Victoria hardened 2 to 28p and Julia Mines 3 to 16p.

Traded Options

Subdued conditions in the underlying securities were reflected in Traded Options. Total contracts transacted amounted to only 10,518 — comprising 7,210 calls and 3,308 puts. Only current favourite Hanson Trust managed to attract a relatively reasonable business with 1,040 calls done.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (94)

BRITISH FUNDS (2). CORPORATION LOANS (1). AMERICANS (22). CANADIANS (4). BANKS (1). BREWERS (1). BUILDINGS (5). CHEMICALS (1). STORES (2). ELECTRICALS (4). ENGINEERING (4). FOODS (4). INDUSTRIALS (14). LEISURE (1). NEWSPAPERS (1). PAPER (4). PROPERTY (7). SHIPPING (1). TRUSTS (12). OILS (2). PLANTATIONS (1).

NEW LOWS (36)

BANKS (2) Copenhagen Handelsbank, Mercury Intl. Spec.&c.Cav. Prt. ELECTRICALS (5) Farnell Electronics, Memcom Intl., Memec Process Systems, Telemetrix. ENGINEERING (1) Wyndham. FOODS (1) Normans. HOTELS (1) Aberdeen Steak Houses. INDUSTRIALS (5) Bibby (J.), Bruntons (Muss.), High-Point Services, Limoges Porcelain, TSL Thermal Synd. INSURANCE (1) Minet Hldgs. LEISURE (5) Crysalis, Hanimex, Juliana's, Media Tech., Television Services. SOUTH AFRICANS (1) Anglo American Indl. TRUSTS (2) Caledonia Invs., North Sea Assets. MINES (12) Simmer & Jack, West Rand, Cons. Modderfontein, Modder. B Gold Hldgs., Rand Ext. & Explrtn., Wit. Nigel, Blyvoor., Libanon, Western Deep, OFS Invs., Aquarius Explrtn., West Coast.

RECENT ISSUES

EQUITIES

[illegible]

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock
500	F.P.	13/6	605	565	Rosehaugh 20p
½	Nil	11/7	2½pm	1½pm	Rotaprint ½p
705	F.P.	20/6	775	735	Saatchi & Saatchi 10p

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend prospectus or other official estimates for 1987. L Estimated annualised dividend, cover latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on official estimates. t Indicated dividend; cover relates to previous dividend; p/e ratio earnings. u Forecast, or estimated annualised dividend rate, cover based on previous ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." §§ Introduction of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation takeover. ‖‖ Allotment price. ♦ Unlisted securities market. ‡‡ Dealt in under Rule under 535 (4) (a) †† Official London listing.

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 19	June 6	Aug 28	Sept 8
June 9	June 20	Sept 11	Sept 22
June 23	July 4	Sept 25	Oct 6

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Control Securities, Wellcome, Winkelhaak, Harmony, NSS Newsagents, James Ferguson, Parkfield, STC, MS International, Prestwich, Raine, Cannon Street, M. K. Electric, Ryan International, 600 Group, Stothert and Pitt, Triplex, Tiphook, Marinex, Dominion International, Metal Closures, Trusthouse Forte and Federated Housing. A put was done in Polly Peck, while a double option was transacted in NSS Newsagents.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]	[illegible]	[illegible]
Corpns. Dom. and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Props.	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]

FINANCIAL TIMES STOCK INDICES

[illegible]

LONDON REPORT AND LATEST SHARE INDEX. TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

FIXED INTEREST

[illegible]

YESTERDAY'S ACTIVE STOCKS

[illegible]

FRIDAY'S ACTIVE STOCKS

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

LONDON TRADED OPTIONS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Prices at 2.30pm June 2

[illegible]

F—No voting rights or restricted voting rights.

Indices

NEW YORK

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

RISES AND FALLS

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

Advances 656 Declines 832

TORONTO	June 2	May 30	May 29	May 28	1986 High	1986 Low
Metals & Minls	2,178.5*	1,282.33	2,181.6	2,147.1	2,442.85 (21/3/86)	2,025.3 (21/5/86)
Composite	3,106.6*	3,121.9	3,109.4	3,093.1	3,129.11 (18/4/86)	2,754.0 (17/2)
MONTREAL Portfolio	1,582.84*	1,598.47	1,587.12	1,588.87	1,623.33 (16/4/86)	1,396.6 (22/1)

* Indicates pre-close figure

[illegible]

** Saturday May 31: Japan Nikkei 16,829.1. TSE 1302.18.

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Montreal Portfolio 4/1/83. Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 45

[illegible]

LONDON

Chief price changes (In pence unless otherwise indicated)

RISES

Tr 2½% IL 2011	£110⅝	+⅝
Applied Hol	245	+25
Assoc Brit Foods	342	+10
Banro Inds	210	+37
Bridport-Gundry	190	+9
Britannia Arrow	138	+6
British Benzol	92	+8
Charterhall	29	+3
Conti & Indl Tst	810	+45
Dee Corp	262	+7
Dominion Intl	108	+6
Dwek Group	98	+19
Ecobric Defd	20	+6
Gt Western Res	63xd	+11½
Hestair	185	+17
Hunterprint	225	+17
NSS Newsagents	182xd	+13½
Pentland Inds	725	+45
Petranol	50	+10
Red Nat Glass	233	+13
Senior Eng	49	+3
Sheraton Secs	43½	+4½
Sterling Pub	90	+6
Turriff Corp	175	+15
UEI	396	+14
Valor	250	+14

FALLS

Barclays	487	−13
Bilton (Percy)	276	−8
Firstland Oil&Gas	46	−7
Polly Peck Intl	183	−10

Prices at 3pm, June 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24	12	AAR s	.44	1.8	23	337	u24⅝	23⅝	24⅝	+¾
30	21¾	ADT	.92	3.3		44	28⅝	28¼	28¼	−½
38½	11½	AFG s			19	1074	u28¾	27⅝	28¾	+1
25⅝	12⅞	AGS			16	42	21¼	21	21¼	
60⅝	37½	AMR			12	2978	58⅝	57¾	58⅛	−¼
23½	19	ANR pf2.12		9.9		102	21⅜	21⅜	21⅜	
12½	7⅝	APL			6	2	11	11	11	
16¾	11⅛	ARX	.71i	5.1	13	39	14¼	14	14	−⅛
51⅜	32¾	ASA	2a	5.7		395	35⅝	35	35¼	−½
18⅝	10½	AVX		2.3		187	14¼	14	14	−¼
32	22⅝	AZP	2.72	9.9	7	861	27¾	27½	27½	−½
45⅞	26⅝	AbtLb s			23	2380	u47¾	46¼	47¼	+¾
32	19⅝	AccoWd .50		1.7	20	87	30¼	30¼	30¼	
24¾	10	AcmeC .40		3.2		20	12⅝	12⅛	12⅝	
9¼	7	AcmeE .32b		3.9	20	21	8⅜	8⅛	8⅛	
20½	16⅞	AdaEx 1.90e		9.3		81	u20¾	20¼	20⅜	+⅛
31¾	15	AdmMl .40		1.3	14	45	31⅝	31	31½	+½
20⅝	10¼	AdvSys .83t		4.5	17	97	18½	18	18⅜	+⅜
32⅞	22⅛	AMD				931	26⅝	26¼	26¼	−⅜
12⅝	8¼	Adobe n				63	8¾	8⅝	8⅝	−⅜
18⅝	14⅝	Adob pf1.84		11.		15	16½	16¼	16⅜	+⅛
20¼	15¼	Adob pf2.40		13.		8	19⅛	19	19⅛	+⅛
20	8⅛	Advest .12a		.6	14	201	20	19¼	19¼	−½
66¼	42¼	AetnLf 2.64		4.3	11	2706	63⅛	61⅝	61⅝	−2
57½	52⅛	AetL pf4.28e		8.0		2	53¼	53¼	53¼	
69¼	29	Ahmns 1.38		2.2	7	382	64½	63¾	63⅞	−⅝
23	9⅝	Ahmn wi				15	21⅞	21¾	21¾	−⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from Page 44

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
		X Y Z								
72¼	45⅝	Xerox	3	5.0	14	x3438	60⅞	59¼	59⅝	−⅞
58¼	52¾	Xerox pf5.45		9.8		x251	56	55½	55½	−⅜
28¾	22⅝	XTRA	.64	2.6		67	24⅝	24¼	24⅝	−¼
17	13½	Yorkin n				687	14⅝	13½	14⅛	+⅜
37	28¼	ZaleCp 1.32		3.6		88	36¼	36¼	36¼	
12⅜	3½	Zapata .05j				259	4⅜	4¼	4¼	−⅛
81⅞	47¾	Zayre	.64	.8	24	267	80½	79½	79¾	−1¼
29⅞	16¼	ZenithE				1644	26⅞	26¼	26⅞	+⅝
36⅝	17⅝	ZenLbs.10i		.3	21	1001	32	31¾	31⅞	+⅛
18¼	6⅝	ZenLb wi				33	16½	16⅛	16⅛	−⅜
22⅝	14	Zero s	.28	1.6	18	227	18⅝	18½	18½	−¼
45¾	32¼	Zurnln 1.32		3.3	14	284	40⅜	39¼	39¾	−¾

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called.d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

UK COMPANY NEWS — IN-DEPTH REPORTING DAILY IN THE FT

AMEX COMPOSITE PRICES

Prices at 3pm, June 2

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET
Profit-takers meet stiff resistance

PROFIT-TAKERS met stiff resistance on Wall Street yesterday, *writes Terry Byland in New York.*

Blue chips dipped sharply at first, as last week's substantial gains attracted some early selling. But, despite further weakness in bonds, stock prices soon bounced up towards Friday's levels.

The market's performance was "rather impressive," commented Mr Brian Luedtke of Piper Jaffray & Hopwood, the Minneapolis brokerage firm. For the near-term at least, the outlook remains positive, with a strong economy and dollar likely to help corporate profits.

Federal data on construction expenditure and factory orders tended to confirm the image of a strengthening economy. However, Wall Street paid little heed to the statistics, preferring to await this week's Senate discussion on the tax reform bill.

At 3pm, the Dow Jones industrial average was down 5.21 at 1,871.50.

The stock market's relative firmnes contrasted sharply with bonds, which fell by more than half a point, bringing the 30-year yield to more than 7.80 per cent.

A strike by communications workers against AT&T left the stock down $⅛ at $24⅞, although turnover of 1m plus shares represented no significant increase above normal levels.

Helping the Dow, and the rest of the market, was a further gain in IBM, up $1⅛ to $153½. Some analysts are critical of the Sperry-Burroughs merger which, they suggest, may benefit IBM and the other mainframe makers in the long term.

Burroughs at $59⅞ held steady as the merger moved towards its consummation, only a month away. Digital jumped $1⅛ to $92⅝ on the back of IBM, and Honeywell, up $1¾ at $80⅝, was another computer maker to attract buyers.

Defence and aerospace stocks, which have lagged the market, advanced under the lead of General Dynamics, up $1⅞ to $81¼ and McDonnell Douglas, up $1 at $84⅜.

The Detroit car stocks followed the market trend but lacked enthusiasm, reflecting doubts over the effects on sales prospects of the customer incentive schemes of recent months. At $79⅞, General Motors edged up $⅛. Ford, better favoured of late, added $⅞ to $81⅜ but Chrysler eased $⅛ to $36¾. Merrill Lynch gained $1 to $37⅞ in heavy trading, after joining the list of major corporations planning to buy in stock. IBM's decision to purchase 10m of its own shares ignited the touch paper for last week's market surge.

The rest of the financial services industry looked uncertain as the chances of further falls in short-term rates receded in the face of rising bond market yields.

Citicorp lost $1⅛ to $48⅛, J. P. Morgan $½ to $89 and Chase Manhattan $¼ to $43½. However, speculators continued to buy American Express, taking the price up $⅛ to $63.

The Dow transportation average was boosted by strength in rail stocks, which are usually the first to benefit from increased economic activity inside the US. Burlington Northern gained $1¼ to $66¼ and CSX $⅛ to $34. Airlines were somewhat mixed, United adding $⅝ to $60⅛ and American shedding $½ to $57⅞.

Among the retailers, J. C. Penney reacted sharply after rising strongly over the past fortnight. At $80⅛, Penney fell $1⅛, although selling was light. Federated Department Stores, up $⅞ at $83¾, provided one of the few firm spots in the sector.

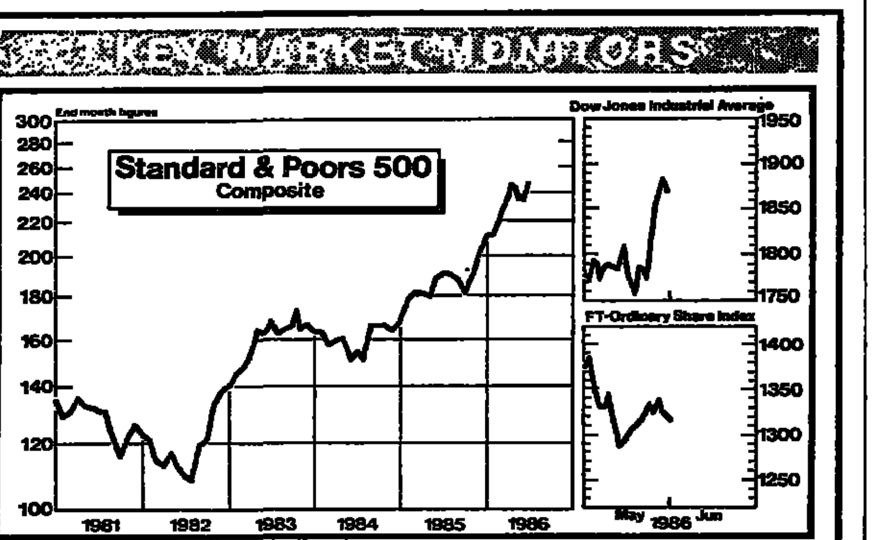
Sears, also discouraged by rising interest rates, which hurt its financial services divisions, shed $¼ to $47¼. McDonald's, the hambuger monarch, lost a further $⅞ to $101¾ in continued response to bearish brokerage comment.

On the over-the-counter market, MBI business centres fell $3 to $12 after terminating merger discussions with Businessland.

In the credit markets, short-term rates edged higher after some initial nervousness which reflected doubts over Federal Reserve policies. Many analysts believe that a stronger economy, together with surging money supply will inhibit the Fed from easing its policy.

Bonds remained weak, making little response to a steadier trend in the bond futures markets.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	June 2	Previous	Year ago
DJ Industrials	1,871.50*	1,876.71	1,315.41
DJ Transport	804.83*	803.36	645.16
DJ Utilities	188.43*	188.62	163.32
S&P Composite	246.52*	247.35	189.55
LONDON	June 2	Prev	Year ago
FT Ord	1,316.4	1,321.2	1,010.7
FT-SE 100	1,596.5	1,602.8	1,313.0
FT-A All-share	787.18	788.92	638.9
FT-A 500	869.08	869.99	701.85
FT Gold mines	215.5	215.1	450.7
FT-A Long gilt	9.25	9.26	10.67
TOKYO			
Nikkei	16,739.27	16,670.77	12,758.4
Tokyo SE	1,309.90	1,300.11	997.03
AUSTRALIA			
All Ord.	1,229.3	1,241.0	873.5
Metals & Mins.	520.6	521.3	537.8
AUSTRIA			
Credit Aktien	121.31	130.05	98.45
BELGIUM			
Belgian SE	3,621.01	3,617.11	2,364.78
CANADA			
Toronto			
Metals & Minls	2,178.9*	1,262.33	1,995.0
Composite	3,107.7*	3,121.9	2,736.1
Montreal			
Portfolio	1,592.94*	1,598.47	133.49
DENMARK			
SE	224.12	224.66	190.87
FRANCE			
CAC Gen	365.80	354.60	233.1
Ind. Tendance	137.70	134.10	84.40
WEST GERMANY			
FAZ-Aktien	649.04	651.42	459.28
Commerzbank	1,962.90	1,969.0	1,345.7
HONG KONG			
Hang Seng	1,781.94	1,787.96	1,613.87
ITALY			
Banca Comm.	closed	782.9	307.87
NETHERLANDS			
ANP-CBS Gen	292.30	289.2	211.4
ANP-CBS Ind	284.90	280.2	172.9
NORWAY			
Oslo SE	350.07	347.15	343.02
SINGAPORE			
Straits Times	683.30	656.0	812.41
SOUTH AFRICA			
JSE Golds	–	1,142.1	1,032.0
JSE Industrials	–	1,157.7	965.8
SPAIN			
Madrid SE	183.26	183.04	80.99
SWEDEN			
J&P	2,383.80	2,373.78	1,372.08
SWITZERLAND			
Swiss Bank Ind	572.90	571.1	432.5
WORLD	May 30	Prev	Year ago
MS Capital Int'l	316.0	318.2	212.5

COMMODITIES

(London)	June 2	Prev
Silver (spot fixing)	353.70p	351.10p
Copper (cash)	£949.25	£949.50
Coffee (July)	£1,818.5	£1,904.00
Oil (Brent blend)	$12.90	$13.33

GOLD (per ounce)

	June 2	Prev
London	$342.00	$343.50
Zurich	$342.00	$343.60
Paris (fixing)	$343.44	$343.10
Luxembourg	$342.65	$343.10
New York (August)	$345.10	$344.10

CURRENCIES

	US DOLLAR		STERLING	
(London)	June 2	Previous	June 2	Previous
$	–	–	1.474	1.4725
£				
DM	2.323	2.325	3.425	3.425
Yen	174.9	174.5	257.75	257
FFr	7.4	7.4075	10.9075	10.9075
SFr	1.926	1.932	2.8425	2.845
Guilder	2.613	2.614	3.8525	3.84875
Lira	1,590	1,591.5	2,343.5	2,343.5
BFr	47.425	47.35	69.9	69.75
C$	1.389	1.3805	2.0445	2.0315

INTEREST RATES

	June 2	Prev
Euro-currencies (3-month offered rate)		
£	9⅝	9 11/16
SFr	4⅞	4 15/16
DM	4 11/16	4 11/16
FFr	7⅝	7 11/16
FT London Interbank fixing (offered rate)		
3-month US$	7⅛	7⅛
6-month US$	7 3/16	7¼
US Fed Funds	6⅞*	6⅞
US 3-month CDs	6.75*	6.60
US 3-month T-bills	6.32*	6.28

US BONDS

Treasury		June 2*		Prev	
		Price	Yield	Price	Yield
7¼	1988	99 [illegible]	7.468	99 [illegible]	7.33
7⅞	1993	95 [illegible]	8.21	97 [illegible]	7.89
7⅜	1996	94 [illegible]	8.256	96 [illegible]	7.76
7¼	2016	92 [illegible]	7.889	95 [illegible]	7.615

Source: Harris Trust Savings Bank

Treasury Index		June 2*		
Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	147.00	–0.66	8.10	+0.10
1–10	141.12	–0.33	7.93	+0.10
1–3	134.32	–0.08	7.56	+0.09
3–5	142.79	–0.36	8.17	+0.10
15–30	168.27	–1.78	8.66	+0.12

Source: Merrill Lynch

Corporate	June 2*		Prev	
	Price	Yield	Price	Yield
AT & T 3⅞ July 1990	89⅞	6.95	89⅞	6.95
SCBT South Central 10⅞ Jan 1993	105	8.61	105	8.61
Phibro-Sal 8 April 1996	96.36	8.55	96.36	8.55
TRW 8⅞ March 1996	100.953	8.6	100.953	8.6
Arco 9⅞ March 2016	103⅞	9.49	103⅞	9.49
General Motors 8⅞ April 2016	91⅞	8.97	91⅞	8.97
Citicorp 9⅞ March 2016	96⅞	9.70	96⅞	9.70

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	93-01	94-17	92-17	93-28
US Treasury Bills (IMM) $1m points of 100%				
June	93.57	93.74	93.56	93.71
Certificates of Deposit (IMM) $1m points of 100%				
June	n/a	n/a	n/a	93.24
LONDON				
Three-month Eurodollar $1m points of 100%				
June	92.92	92.96	92.91	92.92
20-year Notional Gilt £50,000 32nds of 100%				
June	123-04	123-13	123-00	123-18

* Latest available figures

TOKYO
Election call prompts run to record

INVESTORS were bullish in Tokyo yesterday with the start of a new month and prices rallied sharply nearly across the board to push the Nikkei stock average to a record high, *writes Shigeo Nishiwaki of Jiji Press.*

Conspicuous gainers were large-capital issues, foodstuffs, electricals and precision instruments.

The closely watched indicator surged 110.18 to 16,739.27, with volume expanding to 835m shares from Friday's 659m. Advances outpaced losses 566 to 291, with 122 issues unchanged.

The index suffered a moderate loss of 41.68 in Saturday's half-day trading after climbing more than 980 points during the nine days from May 21 to 30. Market observers said yesterday's increase was due to the start of a new month and the dissolution of the House of Representatives to permit simultaneous elections for the two chambers of the Diet (parliament) on July 6. Stock prices usually firm in election years.

Steels and shipbuildings traded actively. Nippon Steel, the day's busiest issue with 80.61m shares changing hands, added Y5 to Y176. Kawasaki Steel was second with 60.58m, closing Y5 up at Y173, and Ishikawajima-Harima Heavy Industries rose Y9 to Y219 on a volume of 52.20m, the third heaviest. Nippon Kokan went up Y5 to Y147.

Investors also sought biotechnology-related foodstuffs. Nichirei soared Y48 to Y759 and Ajinomoto Y90 to Y1,880. Kuraray, the market leader among biotechnolgies in recent sessions, climbed Y40 to Y2,010 and Meiji Milk Y6 to Y801. Among drugs, Yamanouchi Pharmaceutical and Shionogi each gained Y30 to Y3,180 and Y1,140 respectively.

Oki Electric, fourth busiest with 33.23m, jumped Y44 to Y782 mirroring investor expectations for a business recovery in the year ending next March. Fuji Photo Film, which has developed a throwaway camera, finished Y80 higher at Y2,730, while Tokyo Keiki shot up Y80 to Y730 on rumours about redevelopment of one of the company's former factory sites.

Citizen Watch increased Y42 to Y679 on the seventh biggest trading of 19.29m shares, reflecting stronger demand for video camcorder viewfinders from JVC.

Among speculator favourites, Nihon Nosan Kogyo and Toyo Linoleum soared Y72 to Y742 and Y140 to Y1,570, respectively.

Bond prices, which rallied on Saturday, plunged under heavy selling pressure. The yield on the benchmark 6.2 per cent government bonds due in July 1995 rose to 5.060 per cent from Saturday's 4.990 per cent and that on 5.1 per cent bonds maturing in March 1996 went up to 5.310 per cent from 5.2 per cent.

The yen's temporary plunge to Y177 to the US dollar in Tokyo and slow selling of the June government bond issue of Y900bn prompted some brokerage houses and bank dealers to unload their holdings, while institutional investors stayed away from the market.

HONG KONG

THE LACK of any fresh news and the strong performances by other markets drained investors from the Hong Kong market and prices drifted lower throughout the session.

The Hang Seng index dropped 6.02 at 1,781.94 while the Hong Kong index turned 2.86 lower at 1,106.64.

Properties were easier with Cheung Kong off 20 cents at HK$20.50, Sun Hung Kai 10 cents down at HK$12.30 and New World Development lower by 5 cents at HK$6.15. Hongkong Land and Hongkong and Kowloon Wharf were both unchanged at HK$6.10 and HK$6.90 respectively.

EUROPE
Dual peaks on return of buyers

BUYERS RETURNED to the European markets yesterday pushing Dutch and Swedish exchanges to new peaks for the year.

Amsterdam enjoyed the benefit of heavy fresh foreign buying which was interrupted briefly by false reports that President Reagan was seriously ill. The ANP CBS General index rose 3.1 to a high of 292.2.

Internationals found early support due to the firmer dollar. Unilever's Fl 6 jump to Fl 477.50 was one of the best displays of the session as Akzo edged Fl 1 higher to Fl 174.50. Philips managed only a 10 cent rise to Fl 57.70 and KLM, strong in early trading, finished 10 cents cheaper at Fl 52.

Among domestic oriented stocks, Gist Brocades added Fl 3.50 to Fl 289 following its plans to acquire an Italian bakery supply company. Photocopier maker Océ van der Grinten was unchanged at Fl 520 as the EEC contemplated a dumping levy against Japanese copier producers.

Other features included a Fl 3.50 rise for ABN at Fl 584, a Fl 7 drop to Fl 340 for Elsevier and Holland America Lines' Fl 55 surge to Fl 915 on a strong earnings forecast for this year.

Bonds were lower where changed.

The record in **Stockholm** was achieved despite selling pressure on Volvo and Fermenta, following last week's disciplinary action taken by bourse authorities. Hopes are also still high for a solution to the metalworkers dispute which has kept many foreign buyers out of the market in recent days.

Volvo recouped an early SKr 2 loss to finish unchanged at SKr 432, while Fermenta returned to trade after its four-day suspension to lose SKr 12 in the morning, but finished only SKr 2 lower at SKr 169.

Electrolux, the most active, added SKr 4 to SKr 285. Aga, suspended on Friday, returned with a SKr 6 advance to SKr 196 after revealing plans to dispose of its hydroelectric power holdings.

The Veckans Affarer All-Share index peaked at 815, a rise of 2 points, as turnover fell to SKr 368m from Friday's SKr 470m.

Paris made a good recovery on the back of the firmer dollar and recent corporate results. Bargain hunting combined with interest rate optimism to boost the broad market 2.45 per cent higher.

The motor sector was in the vanguard of the advance with Peugeot firming FFr 59 to FFr 978 ahead of its return to the black for 1985. Valeo, meanwhile, firmed FFr 56 to FFr 530.

Thomson CSF slipped FFr 20 to FFr 1,300 despite higher first-quarter turnover.

A ⅛ point fall in the overnight call money rate to 7⅜ per cent had an immediate impact on building shares with Bouygues FFr 55 higher at FFr 1,145, while Colas jumped FFr 76 to FFr 830.

Banks also responded to the call money as Cie Bancaire firmed FFr 35 to FFr 1,140.

Export dependent stocks rose with the dollar as BSN advanced FFr 80 to FFr 3,570, and Moët-Hennessey jumped FFr 70 to FFr 2,350.

The recovery stalled in **Frankfurt** amid thin trading and unease over forthcoming regional elections.

Car makers were weak despite the firmer tone of the dollar. VW shed DM 6.50 to DM 555 and Daimler dropped DM 9.50 to DM 1,323.50, although Porsche gained DM 10 to DM 1,095.

Specialist retailer Hussel added DM 7 to DM 497 in a mixed stores sector that saw Kaufhof drop DM 6 to DM 415.

Bonds were sharply lower with longs losing up to 80 basis points although isolated shorts posted rises of up to 5 basis points. The Bundesbank reduced the scale of its market balancing operations with purchases of DM 50.3m worth of domestic paper after buying DM 53.4m on Friday.

Zurich finished barely changed after a mixed opening and **Brussels** remained hesitant in quiet trading as the Banque Nationale de Belgique cut its rates on short-term Treasury certificates by ¼ point to 7.35 per cent.

Oslo staged a rally and **Madrid** turned higher. **Milan** was closed for a holiday.

CANADA

A RETREAT in Toronto shadowed that on Wall Street and prices moved lower throughout the first half of the session.

After agreement on Friday by Dome creditors to defer debt payments until October, Dome Petroleum slipped 3 cents to C$1.51.

Elsewhere in lower oils, Dome Canada dropped 15 cents to C$4.65, Canada Northwest lost C$½ at C$16⅞ and Texaco Canada moved C$½ lower to C$28¼.

Montreal was also down. Imasco edged C$¼ lower to C$34¾ and Provigo lost a similar amount to C$20¾.

SOUTH AFRICA

GOLD ISSUES firmed in Johannesburg, pulling other shares higher by the end of the session.

Vaal Reefs added R4 to R211.50, Driefontein R1 to R54, Kloof 60 cents to R22.60 and St Helena 75 cents to R44.75.

In other mining issues, Rustenburg Platinum added 25 cents to R32.75 and De Beers gained a similar amount to R25.25.

Construction group Murray and Roberts gave up 30 cents to R7 after news that annual earnings are expected to drop sharply.

LONDON
Hopes for lower rate resurface

REVIVED hopes of cheaper money helped support an otherwise dull London market, but most blue chips drifted back by the close in drab trading.

The FT Ordinary share index closed 4.8 lower at 1,316.4 while the FT-SE 100, the more broadly based sister index, shed 12.5 to 1,596.5.

The market felt the strain of a 35m share Cadbury Schweppes vendor placing at the start of trading which raised £54m and will partly finance the acquisition of Canada Dry from Nabisco.

Among active issues, Barclays slumped 13p to 487p, Polly Peck International dropped 10 cents to 183p, while Dee Corp added 7p to 262p and Associated British Foods rose 10p to 342p.

An easier three-month interbank rate prompted activity in gilts and by the close longs were showing net gains extending to ¼.

Chief price changes Page 43; Details Page 42; Share information service, Pages 40–41

AUSTRALIA

AFTER THREE strong sessions, Sydney turned lower yesterday on the back of heavy selling in BHP shares. The All Ordinaries ended with a 12.4 fall at 1,228.9.

Among all the companies involved in the BHP takeover battle, Bell Resources shed 5 cents to A$4.25, Bell Group added 10 cents to A$8.80, Elders IXL lost 5 cents to A$4.35, Adsteam was 10 cents lower at A$12.90 and Equiticorp Tasman ended 10 cents down at A$1.60.

BHP fell 14 cents to A$8.66 while its offer-accepted shares gave up 6 cents to A$8.66.

FAI Insurances, which is bidding for 60 per cent of Pioneer Concrete, rose 30 cents to A$8.80 after reaching a day's peak of A$9.00. Pioneer was steady at A$2.90, well above FAI's A$2.75 a share offer.

SINGAPORE

THE HIGHER TREND continued in Singapore yesterday where issues rose for their seventh consecutive session, reversing the lacklustre lower trading evident for the past few months.

A number of Haw Par parcels totalling 10.3m shares boosted turnover on the exchange to 30.4m from 17.3m last Friday. Haw Par firmed 21 cents to S$2.57.

The Straits Times industrial index gained 27.30 to 683.30, the highest rise in a single day for almost a year.

Other active issues included Promet, up 4 cents at 40.5 cents and Singapore Airlines 25 cents higher at S$6.65.